Orient Insurance PJSC
and its subsidiaries

Consolidated financial statements

for the year ended 31 December 2019

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for the year ended 31 December 2019

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Independent Auditors' Report

To the Shareholders of Orient Insurance PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Orient Insurance PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

1. Valuation of insurance contract liabilities

Refer to notes 5, 13 and 26 of the consolidated financial statements.

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

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 consolidated profit or loss. The key assumptions that drive the reserve calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business.

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

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

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

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

- assessing the experience and competence of the Group'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 Group's disclosure in relation to these liabilities including claims development table is appropriate.

Key Audit Matters (continued)

2. *Recoverability of insurance balance receivables*

Refer to notes 4, 5, and 11 of the consolidated financial statements.

The Group has significant premium and insurance receivables against written premium policies. There is a risk over the recoverability of these receivables. The determination of the related impairment allowance is subjective and is influenced by judgements relating to the probability of default and probable losses in the event of default.

Our response:

- our procedure on the recoverability of premium and insurance receivables included evaluating and testing key controls over the processes designed to record and monitor insurance receivables;

- testing the ageing of insurance receivables to assess if these have been accurately determined. Testing samples of long outstanding insurance receivables where no impairment allowance is made with the management's evidences to support the recoverability of these balances;

- obtaining balance confirmations from the respective counterparties such as policyholders, agents and brokers;

- verifying payments received from such counterparties post year end;

- considering the adequacy of provisions for bad debts for significant customers, taking into account specific credit risk assessments for each customer based on period overdue, existence of any disputes over the balance outstanding, history of settlement of receivables liabilities with the same counterparties; and

- discussing with management and reviewing correspondence, where relevant, to identify any disputes and assessing whether these were appropriately considered in determining the impairment allowance.

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 Group's 2019 Annual Report after the date of our auditors' report.

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

Other Information (continued)

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

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.

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

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

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

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

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 consolidated 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 consolidated 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 Group has maintained proper books of account;

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

v) as disclosed in note 9.1 of the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2019;

vi) note 24 to the consolidated 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 Group 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 in respect of the Company its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2019; and

viii) The Group has not made any social contributions during the year, as disclosed in note 21.1.

Report on Other Legal and Regulatory Requirements (continued)

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

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates
Date: 10 FEB 2020

Orient Insurance PJSC and its subsidiaries

Consolidated statement of financial position

as at 31 December

	Notes	**31 December 2019 AED '000**	31 December 2018 AED '000
Assets			
Property and equipment	*7*	**104,797**	97,126
Investment in an associate	*8*	**65,478**	65,089
Held to maturity investments	*9*	**200,406**	144,938
Available for sale investments	*9*	**1,043,438**	1,241,748
Investments carried at fair value through profit and loss	*9*	**144,673**	90,314
Insurance balances receivable	*11*	**875,793**	874,058
Statutory deposits	*10*	**54,495**	58,301
Reinsurance contract assets	*13*	**2,218,662**	2,009,760
Other receivables and prepayments	*12*	**51,497**	59,471
Bank deposits	*14*	**2,644,097**	2,207,430
Cash and cash equivalents	*14*	**315,148**	234,277
Total assets		**7,718,484**	7,082,512
Equity and Liabilities			
Equity			
Share capital	*15*	**500,000**	500,000
Statutory reserve	*16*	**125,000**	125,000
Legal reserve	*16*	**250,000**	250,000
Exceptional loss reserve	*16*	**255,336**	230,888
General reserve	*16*	**1,421,492**	1,146,938
Available for sale investments reserve	*16*	**469,375**	468,689
Foreign currency translation reserve	*16*	**(93,713)**	(95,236)
Retained earnings		**46,905**	32,590
Proposed dividends	*17*	**100,000**	100,000
Equity attributable to equity holders of the Company		**3,074,395**	2,758,869
Non-controlling interests		**49,981**	33,796
Total equity		**3,124,376**	2,792,665
Liabilities			
Insurance contract liabilities	*13*	**3,300,406**	3,061,885
Unit linked funds' reserve		**132,419**	79,235
Retirement benefit obligation	*18*	**25,853**	23,786
Reinsurance and other payables	*19*	**1,125,322**	1,124,941
Lease liabilities	*25*	**10,108**	-
Total liabilities		**4,594,108**	4,289,847
Total liabilities and equity		**7,718,484**	7,082,512

These consolidated financial statements of the Group were authorised for issue and approved by the Board of Directors on 10 February 2020 and signed on their behalf by:

Vice Chairman

The independent auditors' report is set out on pages 1 to 7.

The notes on pages 14 to 56 form an integral part of these consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

Consolidated statement of profit or loss

for the year ended 31 December

	Notes	**2019 AED '000**	2018 AED '000
Gross written premium	*13*	**3,881,078**	3,677,695
Reinsurance share of ceded premiums	*13*	**(2,642,229)**	(2,420,276)
Net premium written		**1,238,849**	1,257,419
Net movement in provision for unearned premiums, mathematical reserve and unit-linked funds reserve	*13*	**(84,844)**	(110,870)
Net premium earned		**1,154,005**	1,146,549
Commission income		**227,582**	224,917
Commission expense		**(268,240)**	(251,269)
Gross underwriting income		**1,113,347**	1,120,197
Gross claims paid		**2,322,585**	2,206,967
Reinsurance share of claims paid		**(1,691,959)**	(1,620,186)
Net claims paid		**630,626**	586,781
Decrease in provision for outstanding claims		**(26,644)**	(3,466)
Decrease in reinsurance share of outstanding claims		**6,629**	6,027
Increase in incurred but not reported claims reserves		**17,065**	22,298
(Decrease) / increase in loss adjustment expense reserve		**(4,622)**	1,216
Net claims incurred		**623,054**	612,856
Net underwriting income		**490,293**	507,341
Income from investments	*20*	**204,922**	160,488
Other income		**6,166**	6,344
Share of profit / (loss) from investment in an associate	*8*	**389**	(3,228)
Total income		**701,770**	670,945
General and administrative expenses	*21*	**(269,691)**	(266,276)
Profit before tax		**432,079**	404,669
Income tax expense net of deferred taxes	*22*	**(6,975)**	(3,637)
Profit after tax		**425,104**	401,032
Attributable to:			
Equity holders of the Company		**413,317**	393,419
Non-controlling interests		**11,787**	7,613
Total profit for the year		**425,104**	401,032
Basic and diluted earnings per share attributable to equity holders of the Company (AED / share)	*23*	**82.66**	78.68

The independent auditors' report is set out on pages 1 to 7.

The notes on pages 14 to 56 form an integral part of these consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December

	2019 AED '000	2018 AED '000
Profit after tax	**425,104**	401,032
Other comprehensive income		
Other comprehensive income to be reclassified to profit and loss in subsequent periods:		
Net unrealised gain / (loss) from available for sale investments	**686**	(25,331)
Foreign currency adjustments from translation of foreign operations	**6,447**	(9,394)
Other comprehensive income / (loss) for the year	**7,133**	(34,725)
Total comprehensive income for the year	**432,237**	366,307
Attributable to:		
Equity holders of the Company	**415,526**	359,003
Non-controlling interests	**16,711**	7,304
	432,237	366,307

The independent auditors' report is set out on pages 1 to 7.

The notes on pages 14 to 56 form an integral part of these consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December

	Equity Attributable to equity holders of the Company											
	Share capital	**Statutory reserve**	**Legal reserve**	**Exceptional loss reserve**	**General reserve**	**Available-for-sale (AFS) reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Proposed dividend**	**Total**	**Non-Controlling interests**	**Total**
	AED '000	**AED '000**	**AED '000**	**AED '000**	**AED '000**	**AED '000**	**AED '000**	**AED '000**	**AED '000**	**AED '000**	**AED '000**	**AED '000**
Balance as at 1 January 2019	500,000	125,000	250,000	230,888	1,146,938	468,689	(95,236)	32,590	100,000	2,758,869	33,796	2,792,665
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	413,317	-	413,317	11,787	425,104
Other comprehensive income for the year												
Net unrealised gain from available for sale investments	-	-	-	-	-	686	-	-	-	686	-	686
Foreign currency adjustments from translation of foreign operations	-	-	-	-	-	-	1,523	-	-	1,523	4,924	6,447
Total comprehensive income for the year	-	-	-	-	-	686	1,523	413,317	-	415,526	16,711	432,237
Transactions with owners directly recorded in equity												
Transfer to reserves	-	-	-	24,448	274,554	-	-	(299,002)	-	-	-	-
Dividend paid (note 17)	-	-	-	-	-	-	-	-	(100,000)	(100,000)	(526)	(100,526)
Dividend proposed (note 17)	-	-	-	-	-	-	-	(100,000)	100,000	-	-	-
Balance as at 31 December 2019	**500,000**	**125,000**	**250,000**	**255,336**	**1,421,492**	**469,375**	**(93,713)**	**46,905**	**100,000**	**3,074,395**	**49,981**	**3,124,376**

The notes on pages 14 to 56 form an integral part of these consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December

	Equity Attributable to equity holders of the Company											
	Share capital AED '000	**Statutory reserve AED '000**	**Legal reserve AED '000**	**Exceptional loss reserve AED '000**	**General reserve AED '000**	**Available-for-sale (AFS) reserve AED '000**	**Foreign currency translation reserve AED '000**	**Retained earnings AED '000**	**Proposed dividend AED '000**	**Total AED '000**	**Non-Controlling interests AED '000**	**Total AED '000**
Balance as at 1 January 2018	500,000	125,000	250,000	201,927	884,500	494,020	(86,151)	30,570	100,000	2,499,866	27,014	2,526,880
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	393,419	-	393,419	7,613	401,032
Other comprehensive income / (loss) for the year												
Net unrealised loss from available for sale investments	-	-	-	-	-	(25,331)	-	-	-	(25,331)	-	(25,331)
Foreign currency adjustments from translation of foreign operations	-	-	-	-	-	-	(9,085)	-	-	(9,085)	(309)	(9,394)
Total comprehensive (loss) / income for the year	-	-	-	-	-	(25,331)	(9,085)	393,419	-	359,003	7,304	366,307
Transactions with owners directly recorded in equity												
Transfer to reserves	-	-	-	28,961	262,438	-	-	(291,399)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(100,000)	(100,000)	(522)	(100,522)
Dividend proposed (note 17)	-	-	-	-	-	-	-	(100,000)	100,000	-	-	-
Balance as at 31 December 2018	500,000	125,000	250,000	230,888	1,146,938	468,689	(95,236)	32,590	100,000	2,758,869	33,796	2,792,665

The notes on pages 14 to 56 form an integral part of these consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

Consolidated statement of cash flows

for the year ended 31 December

	Notes	**2019** **AED '000**	2018 AED '000
Cash flows from operating activities			
Profit before tax for the year		**432,079**	404,669
Adjustments for:			
Depreciation	*21*	**9,150**	7,046
Interest income	*20*	**(151,620)**	(116,513)
Dividend income	*20*	**(52,127)**	(44,274)
Share of (profit) / loss from equity accounted investees	*8*	**(389)**	3,228
Unrealised (gain) / loss on investments at fair value through profit or loss	*20*	**(1,175)**	299
Gain on sale of property and equipment		**(35)**	(85)
Finance cost on lease liabilities	*25*	**1,881**	-
IFRS 16 transition impact		**(899)**	-
Allowance for doubtful debts	*11*	**3,361**	20,243
Operating cash flows before movements in working capital		**240,226**	274,613
Increase in insurance receivables		**(5,096)**	(197,839)
(Increase) / decrease in reinsurance contract assets		**(208,902)**	71,505
Decrease in other receivables and prepayments		**9,398**	745
Increase / (decrease) in insurance contract liabilities		**238,521**	(2,892)
Increase in unit linked funds' reserve		**53,184**	30,510
Increase in reinsurance and other payables		**1,491**	114,317
Increase in retirement benefit obligation		**2,067**	3,538
Net cash generated from operating activities		**330,889**	294,497
Income tax paid	*22*	**(9,509)**	(3,177)
Net cash generated from operations		**321,380**	291,320
Cash flows from investing activities			
Purchase of property and equipment	*7*	**(2,226)**	(2,653)
Proceeds from disposal of property and equipment		**80**	107
Interest income	*20*	**151,620**	116,513
Dividend income	*20*	**52,127**	44,274
Deposits with bank		**(432,861)**	(283,181)
Purchase of investments carried at fair value through profit and loss		**(65,156)**	(35,647)
Purchase of held to maturity investments		**(138,926)**	(96,852)
Purchase of available-for-sale investments		**(33,029)**	(31,905)
Sale of investments carried at fair value through profit and loss		**11,972**	5,138
Sale of held to maturity investments		**102,267**	55,535
Sale of available-for-sale investments		**232,158**	24,461
Foreign exchange differences		**(18,810)**	5,239
Net cash used in investing activities		**(140,784)**	(198,971)
Cash flows from financing activities			
Dividend paid	*17*	**(100,000)**	(100,000)
Payment of lease liabilities	*25*	**(5,646)**	-
Dividend paid to non-controlling interests		**(526)**	(522)
Net cash used in financing activities		**(106,172)**	(100,522)
Net increase / (decrease) in cash and cash equivalents		**74,424**	(8,173)
Cash and cash equivalents at 1 January		**234,277**	251,844
Movement in foreign currency translation reserve		**6,447**	(9,394)
Cash and cash equivalents at 31 December	*14*	**315,148**	234,277

The independent auditors' report is set out on pages 1 to 7.

The notes on pages 14 to 56 form an integral part of these consolidated financial statements.

1 Legal status and principal activities

Orient Insurance PJSC (the "Company") was incorporated with limited liability on 22 July 1980 in the Emirate of Dubai by a decree of His Highness the Ruler of Dubai and commenced operations on 1 January 1982. The Company was registered in accordance with the UAE Federal Law No. (9) of 1984, as amended, ("the Insurance Companies Law") on 29 December 1984 with registration No.14. On 2 May 1988 the Company was converted into a public shareholding company in accordance with the requirements of the Insurance Companies Law and has been registered under UAE Federal Law No. (2) of 2015, as amended, relating to commercial companies. The shares of the Company are listed on the Dubai Financial Market. The Company is subject to the regulations of UAE Federal Law No. (6) of 2007, on Establishment of Insurance Authority and organisation of its operations. The registered address of the Company is P.O. Box 27966, Dubai United Arab Emirates.

The Company engages in the business of issuing short term insurance contracts in connection with Property, Engineering, Motor, Marine, Miscellaneous Accidents and Medical (collectively referred to as General Insurance) and Group Life and Individual Life classes (collectively referred to as Life Insurance). The Company also invests its funds in investment securities and deposits with financial institutions.

The Company has established subsidiary companies in Syria, Egypt, Sri Lanka, Turkey and has branches in Sultanate of Oman and Bahrain.

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as "the Group"). Details of the subsidiaries are as follows:

Subsidiary	*Principal activity*	*Country of incorporation*	*Ownership*	
			2019	*2018*
Arab Orient Insurance Company	General insurance	Syria	40%	40%
Orient Takaful Insurance Company (S.A.E)	General insurance	Egypt	60%	60%
Orient Insurance Limited	General insurance	Sri lanka	100%	100%
Orient Sigorta Anonim Sirketi	General insurance	Turkey	100%	100%

The holding company of the Group is Al Futtaim Development Services Company ("Parent Company") which is based in Dubai, United Arab Emirates and has control over the Group. The ultimate holding company of the Group is Al Futtaim Private Co. which is based in Dubai, United Arab Emirates.

2 Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and comply with applicable requirements of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organisation of the Insurance Operations, the Federal Law No. (2) of 2015 Concerning the Commercial Companies, Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies and Insurance Authority's Board of Directors Decision No. (23) of 2019 Concerning Instructions Organizing Reinsurance Operations.

b) Basis of measurement

The consolidated financial statements has been prepared on the historical cost basis except for the following which are measured at fair value:

i) available-for-sale investments ("AFS"); and
ii) investments carried at fair value through profit or loss ("FVTPL").

c) Functional and presentation currency

These consolidated financial statements are presented in U.A.E. Dirhams ("AED") rounded to the nearest thousand, since that is the currency in which the majority of the Group's transactions are denominated.

d) Use of estimates and judgments

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

2 Basis of preparation (continued)

d) Use of estimates and judgments (continued)

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

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

e) Change in significant accounting policy

The Group 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 Group's consolidated financial statements.

The Group applied IFRS 16 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 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.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 3 (f).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases office premises. The Group previously classified leases as operating lease based on its assessment on whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group 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 Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

i) Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments discounted at the Group'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 Group's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability; adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all their leases.

2 Basis of preparation (continued)

e) Change in significant accounting policy (continued)

i) Leases classified as operating leases under IAS 17 (continued)

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application: and
- used hindsight when determining the lease term.

Impact on consolidated financial statements

Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	As at 1 January 2019 **AED '000**
Right-of-use assets – property and equipment	**6,945**
Lease liabilities	**6,046**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is between 5.94% - 21.21%.

	AED '000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	**14,678**
Discounted using the incremental borrowing rate at 1 January 2019	**(8,632)**
	6,046

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for changes given in note 2(e).

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the Group's consolidated financial statements from the date that control commences until the date that control ceases.

Non controlling interest in the equity and results of the entities that are controlled by the Group are shown separately as a part of consolidated statements of changes in equity in the Group's consolidated financial statements.

Any contribution or discounts on subsequent acquisition, after control is obtained, of equity instruments from (or sale of equity instruments to) non controlling interest is recognised directly in consolidated statement of changes in equity.

3 Summary of significant accounting policies (continued)

a) Basis of consolidation (continued)

Investment in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases.

When the Group’s share of losses exceeds its interest in an associate, the carrying amount of investment is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the Group’s consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated, wherever practicable, to the extent of the Group’s interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder’s consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group’s accounting policy for financial instruments depending on the level of influence retained.

b) Revenue recognition

Insurance premium revenue

Gross premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. The proportion attributable to subsequent periods is deferred as unearned premium reserve.

Reinsurance premiums

Reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include third party administration charges and any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

3 Summary of significant accounting policies (continued)

b) Revenue recognition (continued)

Commission income

Commission income on premium ceded is recognised at the time the reinsurance premium is ceded.

Interest income

Interest income is recognised in the consolidated statement of profit or loss as it accrues and is calculated by using the effective interest rate method.

Other income

- Dividend income is accounted for when the right to receive payment is established.
- Rental income is recognised as income over the period to which it relates.

c) Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries made are charged to consolidated statement of profit or loss as incurred.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition a provision based on management's judgement, the Group's prior experience and expected loss ratio is maintained for the cost of settling claims incurred but not reported at the consolidated statement of financial position date. Any difference between the provisions at the consolidated statement of financial position date and settlements and provisions for the following year is included in the consolidated statement of profit or loss for that year. Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

d) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3 Summary of significant accounting policies (continued)

d) Taxes (continued)

Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in consolidated statement of profit or loss.

e) Commission expenses

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the consolidated statement of profit or loss when incurred.

f) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

i. As a lessee

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

3 Summary of significant accounting policies (continued)

f) Leases (continued)

Policy applicable from 1 January 2019 (continued)

i. As a lessee (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measurement at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, 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 Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

The Group presents right-of-use assets in ‘property and equipment’ and lease liabilities in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 Summary of significant accounting policies (continued)

f) Leases (continued)

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets;
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; and
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Group classified office premises leases as operating leases and were not recognised in the Group's consolidated statement of financial position. Payments made under operating leases were recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

g) Foreign currencies

The Group's consolidated financial statements are presented in UAE Dirhams, which is also the Group's functional currency. For each entity the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of profit or loss are also recognised in other comprehensive income or consolidated statement of profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

3 Summary of significant accounting policies (continued)

g) Foreign currencies (continued)

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into UAE Dirham at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

h) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Freehold land and fixed assets not commissioned are not depreciated. The estimated useful life of fixed assets for the Group is as follows:

Building	25 years
Furniture and fixtures	4 to 7 years
Office equipment	3 to 5 years
Motor vehicles	5 years
Right-of-use of asset	3 to 5 years

Assets are depreciated on a straight-line basis over their estimated useful lives as given above.

Fixed assets not commissioned are stated at cost. When commissioned, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Group's policies.

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 consolidated statement of profit or loss as the expense is incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of profit or loss.

i) Financial assets

Initial recognition and measurement

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets or liabilities designated at fair value through profit or loss or available-for-sale assets are recognised. Receivables are recognised on the day they are transferred to or acquired by the Group.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances, term and statutory deposits, other receivables, insurance receivables and quoted/unquoted financial instruments.

Subsequent measurement

A financial asset or a financial liability is recognised initially at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

3 Summary of significant accounting policies (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

Subsequent to initial recognition, all financial assets at fair value through profit or loss and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be measured reliably is stated at cost, including transaction costs, less impairment allowances.

All other financial assets and non-trading financial liabilities are measured at amortised cost less impairment allowances.

Derecognition

The Group derecognises financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of the ownership of the financial assets are transferred. Any interest in derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Insurance receivables

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

Cash and cash equivalents

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

j) Impairment

Impairment of financial assets

An assessment is made at each statement of consolidated financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of profit or loss. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets (excluding goodwill)

The Group 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 Group 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. Recoverable amount 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. 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 companies or other available fair value indicators.

3 Summary of significant accounting policies (continued)

k) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include reinsurance and other payables and insurance contract liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through statement of profit or loss

Financial liabilities at fair value through statement of profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through statement of profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

l) Insurance contract liabilities

Unearned premium reserve

The unearned premium reserve represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. Unearned premiums relating to general and group life insurance business are computed on a daily pro-rata basis. The unearned premium reserve so calculated are at least equal to the minimum stipulated in the Insurance Laws of the respective region.

Mathematical reserve/Unit-linked funds' reserve

Reserve created for long term insurance contracts (Insurance of Persons and Fund Accumulation operations products more than one year) to cover all future claim liabilities as determined by the Actuary as required by Article 45 of the UAE Insurance Companies Law and Insurance Laws of the respective countries where subsidiaries are registered.

Advance premium

When non-life insurance policies are issued for a period exceeding one year, the proportion of the premium for the period beyond one year is accounted as advance premium and classified under insurance liabilities.

Allocated Loss Adjustment Expense (ALAE)/Unallocated Loss Adjustment Expense (ULAE)

These represents future claim expenses and related handling costs. The ALAE reserve is for expenses and costs those can be assigned to a specific claim. The ULAE reserve is for all other overhead expenses and costs those cannot be assigned to a specific claim.

Outstanding claims

Outstanding claims are recognised when claims are intimated. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the consolidated statement of financial position date, including claims incurred but not reported (IBNR) together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the consolidated statement of financial position date. The liability is not discounted for the time value of money. The liability is derecognised when the contract expires, is discharged or is cancelled.

3 Summary of significant accounting policies (continued)

l) Insurance contract liabilities (continued)

Deferred acquisition cost (DAC)

Commissions that vary with and are related to the acquisition of new investment and insurance contracts are treated as prepayments (DAC) to the extent that the commission relates to the future provision of services by the parties to whom payments are made, when the degree of completeness of the service can be reliably measured and the Group is confident of future economic benefit from the introduction acquired. Prepaid commission is expensed through consolidated statement of profit or loss over a period determined by policy features chosen by the contract holder introduced in return for the commission payment. The periods over which it is expensed range from six to sixty months. Commissions for which liability arises on completion of a significant act without the expectation of the delivery of further services are recognised in expenses when incurred. For investment contract introductions where costs are deferred, no costs are deferred beyond the point at which the introducer is considered to have fulfilled his contractual obligations and is not expected or obliged to perform further services.

m) Other payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods and services rendered, whether billed by the supplier or not.

n) Provisions

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

o) Employees' end of service benefits

The Group provides end of service benefits to its employees employed in the UAE in accordance with the UAE Labour Law and for employees employed in the foreign branches of the Group and subsidiary companies in accordance with the respective region's labour Law. The entitlement of these benefits is based upon 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 Group makes contributions to a pension or social security fund established by the respective countries, calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

p) Interest expense

Interest paid is recognised in the consolidated statement of profit or loss as it accrues and is calculated by using the effective interest rate method.

q) Liability adequacy test

At each consolidated statement of financial position date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in consolidated statement of profit or loss and an unexpired risk provision created. The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the consolidated statement of financial position date.

3 Summary of significant accounting policies (continued)

r) Reinsurance contracts held

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. These amounts are shown as "reinsurance contract assets" in the consolidated statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to "insurance balance receivables".

Gains or losses on buying reinsurance are recognised in the consolidated statement of profit or loss immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policy holders.

At each reporting date, the Group assesses whether there is any indication that a reinsurance asset may be impaired. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognised in the consolidated statement of profit or loss.

s) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is legally enforceable right to offset the recognised amounts, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated statement of profit or loss unless required or permitted by an accounting standard or interpretation.

t) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

For financial instruments traded in active markets, fair value at each reporting date is determined by reference to Stock Exchange quoted market bid prices, without any deduction for transaction costs.

For financial instruments not traded in active market, fair value is determined by reference to the current market value of a similar instrument, recent arm's length market transactions or is based on the expected discounted cash flows or any other valuation model.

u) Segment reporting

The Group's segmental reporting is based on the following operating segments: General insurance, Life insurance and Investment segment.

- The general insurance segment comprises both general insurance and health insurance to individuals and businesses. General insurance products include property, motor, marine, medical, engineering and miscellaneous. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident. Non-life healthcare contracts provide medical cover to policyholders. Revenue in this segment is derived primarily from insurance premiums and commission income.
- The life insurance segment offers individual and group life insurance. Revenue from this segment is derived primarily from insurance premium and commission income.
- The investment segment includes investment in equity, fixed income securities such as bonds, fixed deposits and other income.

3 Summary of significant accounting policies (continued)

v) Product classification

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

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expires. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes significant.

Investment contracts

The Group issues investment contracts without fixed and guaranteed terms (unit-linked). Insurance premiums are initially recognised upfront in gross written premium and subsequently transferred to liabilities for the balance invested in consolidated statement of financial position. All subsequent movements in respect of investment contract financial liabilities are included in “Investments carried at fair value through profit and loss” under the consolidated statement of profit or loss. The financial liabilities are measured at current unit investment contract value which reflects the fair value of the assets of the funds.

If the investment contract is subject to a surrender option, exercisable at the discretion of the investment contract holder rather than the Group, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

Investment contract liabilities

The Group does not have any investment contracts or any insurance contracts with Discretionary Participation Features (DPF).

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment contract liabilities are measured at fair value through other comprehensive income.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the consolidated statement of financial position and are not recognised as gross premium in the consolidated statement of profit or loss.

Fair value adjustments are performed at each reporting date and are recognised in the consolidated statement of profit or loss. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit prices at the reporting date are valued on a fair value basis adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the consolidated statement of financial position as described above.

3 Summary of significant accounting policies (continued)

w) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations applicable to the Group are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

For those new standards and amendments to standards that are expected to have an effect on the consolidated financial statements of the Group in future financial periods, the Group is assessing the transition options and the potential impact on its consolidated financial statements, and to implement these standards. The Group does not plan to adopt these standards early.

(i) Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

The amendments introduce two approaches for entities that apply IFRS 4 to reduce the impact of differing effective dates with IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments: an overlay approach and a temporary exemption from applying IFRS 9.

The amended IFRS 4:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued (the "Overlay Approach"); and
- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 till the earlier of annual reporting periods beginning before 1 January 2022 or when IFRS 17 becomes effective. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39 until that time.

An insurer that applies the Overlay Approach shall disclose information to enable users of the consolidated financial statements to understand:

a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and

b) the effect of that reclassification on the financial statements.

The amendments allowing the overlay approach are applicable when the insurer first applies IFRS 9.

An insurer that elects to apply the temporary exemption from IFRS 9 shall disclose information to enable users of the consolidated financial statements:

a) to understand how the insurer qualified for the temporary exemption; and

b) to compare insurers applying the temporary exemption with entities applying IFRS 9.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2022 and will expire once IFRS 17 becomes effective.

3 Summary of significant accounting policies (continued)

w) New standards and interpretations not yet adopted (continued)

(i) Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (continued)

Potential impact on the consolidated financial statements

The new insurance accounting standard that is currently under consideration is expected to have a significant impact on the Group's consolidated financial statements. That standard may impact how the classification and measurement of financial instruments requirements under IFRS 9 is adopted.

The Group qualifies for temporary exemption from applying IFRS 9 on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance with the carrying amount of its liabilities within the scope of IFRS 4 being greater than 90 per cent of the total carrying amount of all its liabilities at 31 December 2015 and with no subsequent change in its activities.

The fair value information of the Group's directly held financial assets at 31 December 2019 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest ("SPPI") condition of IFRS 9, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9, together with all other financial assets:

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9		All other financial assets	
	Fair value	Movement in fair value during the year	Fair value	Movement in fair value during the year
	AED '000	AED '000	AED '000	AED '000
31 December 2019				
Assets				
Held to maturity investments	**200,406**	**-**	**-**	**-**
Available for sale investments	**-**	**-**	**1,043,438**	**686**
Investments carried at fair value through profit and loss	**-**	**-**	**144,673**	**1,175**
Insurance balances receivable	**919,944**	**-**	**-**	**-**
Statutory deposits	**54,495**	**-**	**-**	**-**
Other receivables	**33,183**	**-**	**-**	**-**
Bank deposits	**2,644,097**	**-**	**-**	**-**
Cash and cash equivalents	**315,148**	**-**	**-**	**-**
	4,167,273	**-**	**1,188,111**	**1,861**

w) New standards and interpretations not yet adopted (continued)

(i) Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (continued)

Potential impact on the consolidated financial statements (continued)

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9		All other financial assets	
	Fair value	Movement in fair value during the year	Fair value	Movement in fair value during the year
	AED '000	AED '000	AED '000	AED '000
31 December 2018				
Assets				
Held to maturity investments	**144,938**	**-**	**-**	**-**
Available for sale investments	**-**	**-**	**1,241,748**	**(25,331)**
Investments carried at fair value through profit and loss	**-**	**-**	**90,314**	**(299)**
Insurance balances receivable	**914,848**	**-**	**-**	**-**
Statutory deposits	**58,301**	**-**	**-**	**-**
Other receivables	**32,398**	**-**	**-**	**-**
Bank deposits	**2,207,430**	**-**	**-**	**-**
Cash and cash equivalents	**234,277**	**-**	**-**	**-**
	3,592,192	**-**	**1,332,062**	**(25,630)**

The financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9 in the table above are classified as amortised cost under IAS 39. The credit ratings of investment securities, deposits and bank balances are as follows:

	Credit ratings (from Standard & Poor's or equivalents)					
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	Below BBB- or not rated	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
31 December 2019						
Assets						
Held to maturity investments	**-**	**-**	**-**	**-**	**200,406**	**200,406**
Statutory deposits	**-**	**1,206**	**-**	**28,134**	**25,155**	**54,495**
Bank deposits	**-**	**4,853**	**547,720**	**1,065,254**	**1,026,270**	**2,644,097**
Cash and cash equivalents	**3**	**54,818**	**127,573**	**4,828**	**127,926**	**315,148**
	3	**60,877**	**675,293**	**1,098,216**	**1,379,757**	**3,214,146**
31 December 2018						
Assets						
Held to maturity investments	-	-	-	-	144,938	144,938
Statutory deposits	-	1,138	3,270	22,681	31,212	58,301
Bank deposits	-	22,642	1,091,816	815,084	277,888	2,207,430
Cash and cash equivalents	404	15,542	130,777	8,262	79,292	234,277
	404	**39,322**	**1,225,863**	**846,027**	**533,330**	**2,644,946**

3 Summary of significant accounting policies (continued)

w) New standards and interpretations not yet adopted (continued)

(ii) IFRS 17 Insurance Contracts

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

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

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

(iii) Other standards

- Amendments to References to Conceptual Framework in IFRS Standards.

4 Risk management

The risks faced by the Group and the manner in which these risks are managed by management are summarised below:

i) Governance framework

The primary objective of the Group’s risk and financial management framework is to protect the Group’s shareholders from events that 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.

ii) Risk management framework

The Group’s risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Group President and Senior Vice Presidents.

The senior management meets regularly to approve any commercial, regulatory and organisational decisions. The Group President under the authority delegated from the board of directors defines the Group’s risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

iii) Capital management framework

The primary objective of the Group’s capital management is to comply with the regulatory requirements in the UAE, Egypt, Sri Lanka, Syria, Turkey, Oman and Bahrain to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

4 Risk management (continued)

iv) Regulatory framework

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

The operations of the Group are also subject to regulatory requirements within the jurisdictions where 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 the insurance companies to meet unforeseen liabilities as these arise.

v) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Group President actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

The Group President regularly monitors the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance liabilities.

The risks faced by the Group and the way these risks are mitigated by management are summarised below:

a) *Insurance risk*

The principal risk the Group 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 Group is to ensure that sufficient reserves are available to cover these liabilities.

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

Frequency and Severity of Claims

The frequency and severity of claims can be affected by several factors. The Group underwrites mainly property, engineering, motor, miscellaneous accident, marine, medical and group life and personal accident classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Property

For property insurance contracts, the main perils are fire damage and other allied perils and business interruption resulting therefrom.

These contracts are underwritten either on replacement value or indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption and the basis of insurance are the main factors that influence the level of claims.

Engineering

For engineering insurance contracts, the main elements of risks are loss or damage to insured project works and resultant third party liabilities, loss or damage to insured plant, machinery and equipment and resultant business interruption losses. The extent of the loss or damage is the main factor that influences the level of claims.

4 Risk management (continued)

v) Asset liability management (ALM) framework (continued)

a) *Insurance risk (continued)*

Motor

For motor insurance contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

Miscellaneous Accident

For miscellaneous accident classes of insurance such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity, the extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine

In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in the total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Medical, Group Life and Personal Accident

In medical insurance, the main risk elements are illness and accidents and related healthcare costs. For group life and personal accident the main risks elements are claims arising from death and/or permanent or partial disability.

Individual Life

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits on any single life insured and on all high risk individuals insured are in place.

The Group has adequate reinsurance arrangements to protect its financial viability against such claims for all the above classes.

Geographical concentration of risks

The insurance risk arising from insurance contracts is primarily concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to last year.

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, 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 effected under treaty, facultative and excess of loss reinsurance contracts.

Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

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

The five largest reinsurers account for 28% of the maximum credit exposure at 31 December 2019 (2018: 34%). The maximum theoretical credit risk exposure in this connection is mainly from receivables in the UAE business.

4 Risk management (continued)

v) Asset liability management (ALM) framework (continued)

b) *Financial risk*

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

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

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

i) 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. For all classes of financial assets held by the Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the consolidated statement of financial position.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's bank balances are maintained with a range of local banks in accordance with limits set by the board of directors.
- There are no significant concentrations of credit risk within the Group.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position.

	31 December 2019 AED'000	31 December 2018 AED'000
Held to maturity investments	**200,406**	144,938
Available for sale investments	**1,043,438**	1,241,748
Insurance balances receivable	**919,944**	914,848
Other receivables	**24,872**	24,676
Deposits with banks and bank balances	**3,013,677**	2,499,941
	5,202,337	4,826,151

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

4 Risk management (continued)

v) Asset liability management (ALM) framework (continued)

b) *Financial risk (continued)*

i) Credit risk (continued)

	Neither past due nor impaired				
	Investment grade AED '000	Non Investment grade (satisfactory) AED '000	Non Investment grade (unsatisfactory) AED '000	Past due or impaired AED '000	Total AED '000
31 December 2019					
Held to maturity investments	**-**	**200,406**	**-**	**-**	**200,406**
Available for sale investments	**13,701**	**-**	**-**	**-**	**13,701**
Insurance balances receivable	**875,793**	**-**	**-**	**44,151**	**919,944**
Reinsurance contract assets	**2,218,662**	**-**	**-**	**-**	**2,218,662**
Other receivables	**-**	**24,872**	**-**	**-**	**24,872**
Deposits with banks and bank balances	**2,966,401**	**47,276**	**-**	**-**	**3,013,677**
					6,391,262
Less: impairment provision					**(44,151)**
					6,347,111

	Neither past due nor impaired				
	Investment grade AED '000	Non Investment grade (satisfactory) AED '000	Non Investment grade (unsatisfactory) AED '000	Past due or impaired AED '000	Total AED '000
31 December 2018					
Held to maturity investments	-	144,938	-	-	144,938
Available for sale investments	14,313	-	-	-	14,313
Insurance balances receivable	874,058	-	-	40,790	914,848
Reinsurance contract assets	2,009,760	-	-	-	2,009,760
Other receivables	-	24,676	-	-	24,676
Deposits with banks and bank balances	2,458,647	41,294	-	-	2,499,941
					5,608,476
Less: impairment provision					(40,790)
					5,567,686

The ageing analysis of insurance balance receivables is as follows:

31 December 2019	Policyholders AED '000	Insurance / reinsurance companies AED '000	Total AED '000
Inside UAE			
Less than 30 days	**326,942**	**15,457**	**342,399**
30 - 90 days	**135,082**	**32,544**	**167,626**
91 - 180 days	**70,907**	**7,432**	**78,339**
181 - 270 days	**22,478**	**6,623**	**29,101**
271 - 360 days	**15,496**	**3,397**	**18,893**
More than 360 days	**68,020**	**10,888**	**78,908**
Total	**638,925**	**76,341**	**715,266**

4 Risk management (continued)

v) Asset liability management (ALM) framework (continued)

b) *Financial risk (continued)*

i) Credit risk (continued)

31 December 2019	**Policyholders AED '000**	**Insurance / reinsurance companies AED '000**	**Total AED '000**
Outside UAE			
Less than 30 days	**28,330**	**62,114**	**90,444**
30 - 90 days	**18,646**	**16,096**	**34,742**
91 - 180 days	**6,370**	**10,727**	**17,097**
181 - 270 days	**8,328**	**18,600**	**26,928**
271 - 360 days	**2,706**	**5,705**	**8,411**
More than 360 days	**11,152**	**15,904**	**27,056**
Total	**75,532**	**129,146**	**204,678**
Total	**714,457**	**205,487**	**919,944**

31 December 2018	Policyholders AED '000	Insurance / reinsurance companies AED '000	Total AED '000
Inside UAE			
Less than 30 days	343,677	13,577	357,254
30 - 90 days	119,116	6,564	125,680
91 - 180 days	88,900	7,246	96,146
181 - 270 days	48,096	6,640	54,736
271 - 360 days	33,985	3,080	37,065
More than 360 days	44,599	7,867	52,466
Total	678,373	44,974	723,347
Outside UAE			
Less than 30 days	26,061	58,176	84,237
30 - 90 days	17,019	19,721	36,740
91 - 180 days	11,074	10,682	21,756
181 - 270 days	3,030	20,335	23,365
271 - 360 days	1,596	2,924	4,520
More than 360 days	8,112	12,771	20,883
Total	66,892	124,609	191,501
Total	745,265	169,583	914,848

The Group provides credit facilities upto 120 days. For assets to be classified as ‘past due and impaired’ contractual payments in arrears are more than 120 days and an impairment adjustment is recorded in the consolidated statement of profit or loss for this. When the credit exposure is adequately secured, arrears more than 120 days might still be classified as ‘past due but not impaired”, with no impairment adjustment recorded.

The Group issues unit–linked investment policies in a number of its operations. In the unit–linked business, the policyholder bears the investment risk on the assets held in the unit–linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit– linked financial assets.

4 Risk management (continued)

v) Asset liability management (ALM) framework (continued)

b) *Financial risk (continued)*

ii) Liquidity risk

Liquidity risk is the risk that the Group 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 in the following page summarises, in AED'000 the maturity of the assets and liabilities of the Group based on remaining undiscounted contractual obligations. As the Group does not have any interest bearing liabilities, the totals in the table match the consolidated statement of financial position.

	31 December 2019			
	Less than one year	**More than one year**	**No term**	**Total**
	AED '000	**AED '000**	**AED '000**	**AED '000**
Assets				
Investment in an associate	**-**	**-**	**65,478**	**65,478**
Held to maturity investments	**36,895**	**163,511**	-	**200,406**
Available for sale investments	**13,701**	**-**	**1,029,737**	**1,043,438**
Investments carried at fair value through profit and loss	**-**	**-**	**144,673**	**144,673**
Insurance balance receivables	**875,793**	**-**	**-**	**875,793**
Other receivables	**24,872**	**-**	**-**	**24,872**
Deposits with banks	**842,081**	**1,925,529**	**246,130**	**3,013,740**
Total assets	**1,793,342**	**2,089,040**	**1,486,018**	**5,368,400**
Liabilities				
Reinsurance and other payables	**1,125,322**	**-**	**-**	**1,125,322**
Lease liabilities	**10,108**	**-**	**-**	**10,108**
Total liabilities	**1,135,430**	**-**	**-**	**1,135,430**

	31 December 2018			
	Less than one year	More than one year	No term	Total
	AED '000	AED '000	AED '000	AED '000
Assets				
Investment in an associate	-	-	65,089	65,089
Held to maturity investments	66,575	78,363	-	144,938
Available for sale investments	14,313	200,000	1,027,435	1,241,748
Investments carried at fair value through profit and loss	-	-	90,314	90,314
Insurance balance receivables	874,058	-	-	874,058
Other receivables	24,676	-	-	24,676
Deposits with banks	2,141,276	300,431	58,301	2,500,008
Total assets	3,120,898	578,794	1,241,139	4,940,831
Liabilities				
Reinsurance and other payables	1,124,941	-	-	1,124,941
Total liabilities	1,124,941	-	-	1,124,941

4 Risk management (continued)

v) Asset liability management (ALM) framework (continued)

b) *Financial risk (continued)*

iii) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. Market risk comprises three types of risk: interest rate risk, currency risk and equity risk.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's exposure to interest rate risk is on account of its investment in floating rate bonds included under available-for-sale investments. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its investment is denominated.

Details of financial assets carrying interest rate risk as at 31 December are as follows:

31 December 2019	**Less than 1 year**	**1 to 5 years**	**Non interest bearing items**	**Total**	**Effective interest rate**
	AED '000	**AED '000**	**AED '000**	**AED '000**	
Held to maturity investments	**36,895**	**163,511**	**-**	**200,406**	4.25% to 18.20%
Available for sale investments	**13,701**	**-**	**1,029,737**	**1,043,438**	5.00% to 8.50%
Investments carried at fair value through profit and loss	**-**	**-**	**144,673**	**144,673**	
Deposits with banks	**718,569**	**1,925,529**	**-**	**2,644,098**	1.60% to 15.00%
Bank balances	**178,008**	**-**	**191,571**	**369,579**	0.05% to 24.00%
	947,173	**2,089,040**	**1,365,981**	**4,402,194**	

31 December 2018	Less than 1 year	1 to 5 years	Non interest bearing items	Total	Effective interest rate
	AED '000	AED '000	AED '000	AED '000	
Held to maturity investments	66,575	78,363	-	144,938	4.25% - 21.80%
Available for sale investments	14,313	200,000	1,027,435	1,241,748	5.00% - 12.13%
Investments carried at fair value through profit and loss	-	-	90,314	90,314	
Deposits with banks	1,965,300	300,431	-	2,265,731	2.75% - 15.75%
Bank balances	64,597	-	169,613	234,210	0.03% - 26.50%
	2,110,785	578,794	1,287,362	3,976,941	

Effective interest rate varies among Group's investments across various countries where it operates.

The sensitivity of Group's consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables constant is considered insignificant.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The following table demonstrates the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit. The effect of decreases in exchange rates is expected to be equal and opposite to the effect of the increases shown. There is no other effect on equity.

4 Risk management (continued)

v) Asset liability management (ALM) framework (continued)

b) *Financial risk (continued)*

iii) Market risk (continued)

Foreign currency risk (continued)

	Increase in exchange rate	Effect on consolidated profit and loss and other comprehensive income	
		31 December 2019 AED '000	31 December 2018 AED '000
Egyptian Pounds	**+5%**	**5,386**	3,469
Syrian Pounds	**+5%**	**574**	503
Sri Lankan Rupees	**+5%**	**897**	770
Turkish Lira	**+5%**	**2,433**	1025

Equity price risk

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

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices. The Group's equity investments comprise securities quoted on the Stock Exchanges in United Arab Emirates.

The effect on equity (as a result of a change in the fair values of equity instruments- available-for-sale investments at 31 December 2019) and on consolidated statement of profit or loss (as a result of changes in fair values of investments carried at fair value through profit or loss at 31 December 2019) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in equity price %	**Effect on equity AED '000**	**Effect on profit or loss AED '000**
31 December 2019			
All investments - (Mainly Dubai Financial Market and Abu Dhabi Stock Market)	**10**	**99,521**	**1,225**
31 December 2018			
All investments - (Mainly Dubai Financial Market and Abu Dhabi Stock Market)	10	99,546	1,108

iv) Operational risk

Operational risk is the risk of loss arising from systems 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 lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

4 Risk management (continued)

v) Asset liability management (ALM) framework (continued)

b) *Financial risk (continued)*

v) Underwriting risk

Underwriting risk refers to the potential loss to the Group emanating from the perils covered and the processes used in the conduct of business.

Underwriting risk is mitigated by the Group by diversification across a large portfolio of insurance contracts. The variability of risks is also managed by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group regularly reviews its management of risk in the context of relevant internal and external factors and changes in these factors.

Capital management

The Group's objectives when managing capital is to comply with the insurance capital requirements required by the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations and the capital requirements are set and regulated by the regulatory requirements in the Oman, Syria, Egypt, Sri Lanka, Turkey and Bahrain

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Group in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

On 28 December 2014, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for Insurance Companies which were then subsequently published in the UAE Official Gazette No. 575 on 28th January 2015 and came into force on 29 January 2015. The Group is subject to local insurance solvency regulations with which it has complied with during the year. The Group has incorporated in its policies and procedures the necessary tests to ensure continuous and full 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 Group and the total capital held by the Group.

	31 December 2019 AED '000	31 December 2018 AED '000
Total capital held by the Group	**500,000**	500,000
Minimum regulatory capital	**100,000**	100,000

5 Use of estimates and judgments

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 outstanding claims, whether reported or not

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 possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

5 Use of estimates and judgments (continued)

Provision for outstanding claims, whether reported or not (continued)

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

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

All insurance contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

Impairment losses on receivables

Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Group evaluates credit risk characteristics that consider past-due status being indicative of the inability to pay all amounts due as per contractual terms.

6 Fair value of financial instruments

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

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

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

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

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

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

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

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

6 Fair value of financial instruments (continued)

31 December 2019

Financial assets	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Financial assets held-for-trading:				
Equity securities	**12,254**	-	-	**12,254**
Investments held on behalf of policy holders of unit linked products	**132,419**	-	-	**132,419**
	144,673	-	-	**144,673**
Available-for-sale financial assets:				
Banking Sector	**991,013**	-	-	**991,013**
Other Sector	**17,903**	-	**34,522**	**52,425**
	1,008,916	-	**34,522**	**1,043,438**

31 December 2018

Financial assets	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Financial assets held-for-trading:				
Equity securities	11,079	-	-	11,079
Investments held on behalf of policy holders of unit linked products	79,235	-	-	79,235
	90,314	-	-	90,314
Available-for-sale financial assets:				
Banking Sector	991,013	-	200,000	1,191,013
Other Sector	18,757	-	31,978	50,735
	1,009,770	-	231,978	1,241,748

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

31 December 2019	**At 1 January 2019 AED '000**	**Purchase AED '000**	**Sales AED '000**	**Total gain or loss recorded equity AED '000**	**At 31 December 2019 AED '000**
Available-for-sale financial assets:					
Banking sector	**200,000**	-	**(200,000)**	-	-
Other sectors	**31,978**	**1,625**	-	**919**	**34,522**
Total	**231,978**	**1,625**	**(200,000)**	**919**	**34,522**

31 December 2018	At 1 January 2018 AED '000	Purchase AED '000	Sales AED '000	Total gain or loss recorded in equity AED '000	At 31 December 2018 AED '000
Available-for-sale financial assets:					
Banking sector	200,000	-	-	-	200,000
Other sectors	29,831	2,147	-	-	31,978
Total	229,831	2,147	-	-	231,978

7 Property and equipment

	Land AED '000	Building AED '000	Office equipments, furnitures and fixtures AED '000	Motor vehicles AED '000	Total AED '000
Cost					
At 1 January 2018	20,000	96,456	29,860	2,263	148,579
Additions	-	-	2,315	338	2,653
Disposal	-	-	(97)	(238)	(335)
Foreign exchange differences	-	-	(1,796)	(77)	(1,873)
At 31 December 2018	20,000	96,456	30,282	2,286	149,024
At 1 January 2019	20,000	96,456	30,282	2,286	149,024
Recognition of right-of-use asset on initial application of IFRS 16	-	9,450	-	-	9,450
Adjusted at 1 January 2019	20,000	105,906	30,282	2,286	158,474
Additions	-	7,827	1,754	472	10,053
Disposal	-	-	(71)	(296)	(367)
Foreign exchange differences	-	-	(18)	23	5
At 31 December 2019	**20,000**	**113,733**	**31,947**	**2,485**	**168,165**
Accumulated depreciation					
At 1 January 2018	-	23,222	21,611	1,274	46,107
Charge for the year	-	3,860	2,845	341	7,046
On disposals	-	-	(84)	(229)	(313)
Foreign exchange differences	-	-	(913)	(29)	(942)
At 31 December 2018	-	27,082	23,459	1,357	51,898
At 1 January 2019	-	27,082	23,459	1,357	51,898
Recognition of right-of-use asset on initial application of IFRS 16	-	2,505	-	-	2,505
Adjusted at 1 January 2019	-	29,587	23,459	1,357	54,403
Charge for the year	-	5,937	2,860	353	9,150
On disposals	-	-	(71)	(251)	(322)
Foreign exchange differences	-	-	120	17	137
At 31 December 2019	**-**	**35,524**	**26,368**	**1,476**	**63,368**
Net carrying amount					
At 31 December 2018	20,000	69,374	6,823	929	97,126
At 31 December 2019	**20,000**	**78,209**	**5,579**	**1,009**	**104,797**

8 Investment in an associate

The investment in an associate represents a 35% (2018: 35%) interest in Orient UNB Takaful PJSC, a public shareholding company registered and incorporated in UAE. The associate commenced its commercial operations in 2017. The principal activity of the associate is issuance of short term takaful contracts in connection with accidents and liabilities insurance, fire insurance, transportation risk insurance, other type of insurance and health insurance. The associate also invests its funds in deposits.

Following is the movement in investment in associate:

	31 December 2019 AED '000	31 December 2018 AED '000
Balance as at 1 January	**65,089**	68,317
Group's share of net profit / (loss) for the year	**389**	(3,228)
	65,478	65,089

9 Investment securities

At 31 December 2019	Held to maturity AED '000	Available for sale AED '000	Fair value through profit and loss AED '000	Total AED '000
Equity Securities				
Quoted equity securities in U.A.E.	-	**995,214**	**12,254**	**1,007,468**
Unquoted equity securities in U.A.E.	-	**34,519**	-	**34,519**
Unquoted equity securities outside U.A.E.	-	**4**	-	**4**
Quoted equity securities in U.A.E. held on behalf of policyholders' unit linked products	-	-	**66,391**	**66,391**
Quoted equity securities outside U.A.E. held on behalf of policyholders' unit linked products	-	-	**66,028**	**66,028**
Total equity securities	-	**1,029,737**	**144,673**	**1,174,410**
Total other invested assets (note 9.2)	**200,406**	**13,701**	-	**214,107**
Total	**200,406**	**1,043,438**	**144,673**	**1,388,517**

At 31 December 2018	Held to maturity AED '000	Available for sale AED '000	Fair value through profit and loss AED '000	Total AED '000
Equity Securities				
Quoted equity securities in U.A.E.	-	995,457	11,079	1,006,536
Unquoted equity securities in U.A.E.	-	231,975	-	231,975
Unquoted equity securities outside U.A.E.	-	3	-	3
Unquoted equity securities in U.A.E. held on behalf of policyholders' unit linked products	-	-	44,797	44,797
Unquoted equity securities outside U.A.E. held on behalf of policyholders' unit linked products	-	-	34,438	34,438
Total equity securities	-	1,227,435	90,314	1,317,749
Total other invested assets (note 9.2)	144,938	14,313	-	159,251
Total	144,938	1,241,748	90,314	1,477,000

9.1 During the year ended 31 December 2019, the Group has purchased shares amounting to AED 66,782 thousand (2018: AED 37,794 thousand)

9.2 Total other invested assets refer to the amount invested in treasury bills and government bonds.

10 Statutory deposits

		31 December 2019 AED '000	31 December 2018 AED '000
a)	Statutory deposit that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No. (6) of 2007	**10,000**	10,000
b)	Amounts under lien with Capital Market Authority, Sultanate of Oman	**27,657**	22,203
c)	Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**478**	478
d)	Amounts under lien with Insurance Authority Syria	**209**	178
e)	Amounts under lien with Egyptian Financial Supervisory Authority	**4,199**	13,540
f)	Amounts under lien with Turkish Treasury	**11,202**	11,173
g)	Amounts under lien with Central Bank of Bahrain	**750**	729
		54,495	58,301

11 Insurance balances receivable

	31 December 2019 AED '000	31 December 2018 AED '000
Inside U.A.E.:		
Due from policyholders	**638,925**	678,373
Due from insurance / reinsurance companies	**76,341**	44,974
	715,266	723,347
Outside U.A.E.:		
Due from policyholders	**75,532**	66,892
Due from insurance / reinsurance companies	**129,146**	124,609
	204,678	191,501
Total insurance balances receivable	**919,944**	914,848
Less: Allowance for doubtful debts	**(44,151)**	(40,790)
Net insurance balances receivable	**875,793**	874,058

Movement in allowance for doubtful debts during the year was as follows:

	31 December 2019 AED '000	31 December 2018 AED '000
Balance at 1 January	**40,790**	20,547
Movement during the year	**3,361**	20,243
	44,151	40,790

12 Other receivables and prepayments

	31 December 2019 AED '000	31 December 2018 AED '000
Receivable from employees	**440**	1,725
Refundable deposits	**6,788**	5,827
Prepayments	**18,314**	27,073
Defered tax asset	**8,311**	7,722
Others	**17,644**	17,124
	51,497	59,471

13 Insurance contract liabilities and reinsurance contract assets

	For the year ended 31 December					
	Gross written premium		Reinsurance share of ceded premiums		Net premium written	
	2019 AED '000	2018 AED '000	**2019 AED '000**	2018 AED '000	**2019 AED '000**	2018 AED '000
Gross premiums	**3,881,078**	3,677,695	**(2,642,229)**	(2,420,276)	**1,238,849**	1,257,419
Movement in provision for unearned premiums, mathematical reserve and unit-linked funds reserve	**(278,098)**	(112,303)	**193,254**	1,433	**(84,844)**	(110,870)
Net premium earned	**3,602,980**	3,565,392	**(2,448,975)**	(2,418,843)	**1,154,005**	1,146,549

	Gross		Reinsurers' share		Net	
	31 December 2019 AED '000	31 December 2018 AED '000	**31 December 2019 AED '000**	31 December 2018 AED '000	**31 December 2019 AED '000**	31 December 2018 AED '000
Unearned premium reserve	**1,540,528**	1,363,733	**(1,110,881)**	(939,894)	**429,647**	423,839
Mathematical premium reserve	**272,536**	213,331	**(27,000)**	(1,300)	**245,536**	212,031
	1,813,064	1,577,064	**(1,137,881)**	(941,194)	**675,183**	635,870
Outstanding claims	**908,866**	947,441	**(720,504)**	(736,942)	**188,362**	210,499
Incurred but not reported reserve	**555,437**	510,770	**(349,275)**	(321,673)	**206,162**	189,097
Allocated loss adjustment expense reserve	**13,774**	12,960	**(11,002)**	(9,951)	**2,772**	3,009
Unallocated loss adjustment expense reserve	**9,265**	13,650	**-**	-	**9,265**	13,650
	1,487,342	1,484,821	**(1,080,781)**	(1,068,566)	**406,561**	416,255
	3,300,406	3,061,885	**(2,218,662)**	(2,009,760)	**1,081,744**	1,052,125

13 Insurance contract liabilities and reinsurance contract assets (continued)

Outstanding claims and other reserves

	31 December 2019			31 December 2018		
	Gross AED '000	**Reinsurance share AED '000**	**Net AED '000**	Gross AED '000	Reinsurance share AED '000	Net AED '000
At 1 January	**1,484,821**	**(1,068,566)**	**416,255**	1,533,900	(1,129,957)	403,943
Insurance claims paid	**(2,322,585)**	**1,691,959**	**(630,626)**	(2,206,967)	1,620,186	(586,781)
Claims incurred	**2,337,037**	**(1,713,983)**	**623,054**	2,220,440	(1,607,584)	612,856
Exchange differences	**(11,931)**	**9,809**	**(2,122)**	(62,552)	48,789	(13,763)
At 31 December	**1,487,342**	**(1,080,781)**	**406,561**	1,484,821	(1,068,566)	416,255

Claims development table - Gross

The following table reflects the cumulative gross incurred claims, including both claims notified and claims incurred but not reported (IBNR) for each successive accident year at each statement of financial position date, together with cumulative payments to date:

Accident year	**Before 2016 AED '000**	**2016 AED '000**	**2017 AED '000**	**2018 AED '000**	**2019 AED '000**	**Total AED '000**
At the end of accident year	**-**	**1,565,231**	**2,071,843**	**2,593,812**	**2,357,718**	
One year later	**-**	**1,688,087**	**1,788,066**	**2,565,523**	**-**	
Two years later	**-**	**1,613,606**	**1,791,810**	**-**	**-**	
Three years later	**-**	**1,605,018**	**-**	**-**	**-**	
Four years later	**7,530,510**	**-**	**-**	**-**	**-**	
Current estimate of cumulative claims	**7,530,510**	**1,605,018**	**1,791,810**	**2,565,523**	**2,357,718**	
At the end of accident year	**-**	**(947,225)**	**(1,284,603)**	**(1,891,798)**	**(1,757,240)**	
One year later	**-**	**(1,370,652)**	**(1,466,138)**	**(2,318,571)**	**-**	
Two years later	**-**	**(1,471,740)**	**(1,526,140)**	**-**	**-**	
Three years later	**-**	**(1,517,404)**	**-**	**-**	**-**	
Four years later	**(7,243,882)**	**-**	**-**	**-**	**-**	
Cumulative payments to date	**(7,243,882)**	**(1,517,404)**	**(1,526,140)**	**(2,318,571)**	**(1,757,240)**	
	286,628	**87,614**	**265,670**	**246,952**	**600,478**	**1,487,342**

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

Life Insurance

Mortality and morbidity rates

Assumptions are based on the reinsurance rates provided by the reinsurer, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group’s own experiences. Being on the conservative side, no allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the Group.

13 Insurance contract liabilities and reinsurance contract assets (continued)

Life Insurance (continued)

Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the Group.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the Group.

Lapse and surrender rates

Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group’s experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group’s own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

General Insurance

The Group principally issues the following types of general insurance contracts: marine, fire, engineering, general accident and medical. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under general insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

14 Cash and cash equivalents

	31 December 2019	31 December 2018
	AED '000	AED '000
Bank balances and cash	**191,635**	169,680
Deposits with banks maturing within three months	**123,513**	64,597
Cash and cash equivalents	**315,148**	234,277
Bank deposits maturing after three months	**2,644,097**	2,207,430
	2,959,245	2,441,707
Cash and cash equivalents:		
Inside U.A.E.:	**2,653,706**	2,215,142
Outside U.A.E.:	**305,539**	226,565
	2,959,245	2,441,707

Bank balances include AED 600 thousand *(2018: AED 1,562 thousand)* under lien against the bank guarantees.

Interest on deposit with banks at fixed rates range from 0.05% - 24.00% (31 December 2018: 0.03% -26.50%) per annum.

15 Share capital

	31 December 2019	31 December 2018
	AED '000	AED '000
Issued and fully paid 5,000,000 shares of AED 100 each (2018: 5,000,000 shares of AED 100 each)	**500,000**	500,000

16 Reserves

Nature and purpose of reserves

- Statutory reserve

In accordance with the Company's Articles of Association, Company has resolved not to increase the statutory reserve above an amount equal to 25% of it's paid up capital. Accordingly no transfer to statutory reserve has been made during the year. The reserve can be used for any purpose to be decided by the shareholders upon the recommendation of the Board of Directors.

- Legal reserve

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the legal reserve. The Group may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital which occurred in 2016. The reserve is not available for distribution except in the circumstances stipulated by the law.

- Exceptional Loss Reserve

For UAE operations, an amount equal to 10% of the net underwriting income for the year is to be transferred to an exceptional loss reserve to ensure that the Company has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years.

For Oman operations, an amount equal to 10% of the outstanding claims (Non-life) for the year and 1% of gross premiums for life assurance is transferred to a contingency loss reserve to ensure that the Company has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years for Oman branch.

- General reserve

Transfers to the general reserve are made on the recommendation of the Board of Directors. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

16 Reserves (continued)

- Available-for-sale (AFS) investments reserve

This reserve records fair value changes on available-for-sale financial assets.

- Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

17 Dividends

For the year ended 31 December 2019, the Board of Directors has proposed a cash dividend of AED 20 per share totaling AED 100 million (2018: AED 100 million). This is subject to the approval of the shareholders at the Annual General Meeting to be held during 2020.

For the year ended 31 December 2018, the Shareholders at the annual general meeting dated 9 March 2019 approved a cash dividend of 20% (AED 20 per share) totaling AED 100 million and the same was paid during 2019.

18 Retirement benefit obligation

	31 December 2019	31 December 2018
	AED '000	AED '000
At 1 January	**23,786**	20,248
Charge for the year	**4,257**	5,119
Paid during the year	**(2,315)**	(1,477)
Exchange differences	**125**	(104)
At 31 December	**25,853**	23,786

19 Reinsurance and other payables

	31 December 2019	31 December 2018
	AED '000	AED '000
Payables – Inside UAE	**377,407**	445,394
Payables – Outside UAE	**747,915**	679,547
	1,125,322	1,124,941
Inside UAE:		
Insurance and reinsurance companies payable	**132,503**	82,959
Payable to agents and brokers	**28,304**	27,567
Payable to employees	**27,587**	25,865
Other payables	**189,013**	309,003
	377,407	445,394
Outside UAE:		
Insurance and reinsurance companies payable	**565,510**	605,655
Payable to agents and brokers	**19,442**	3,568
Payable to employees	**1,202**	2,132
Other payables	**161,761**	68,192
	747,915	679,547

20 Income from investments

	For the year ended 31 December	
	2019	2018
	AED '000	AED '000
Interest income	**151,620**	116,513
Dividend income	**52,127**	44,274
Fair value gain / (loss) on investments carried at fair value through profit or loss	**1,175**	(299)
	204,922	160,488

21 General and administrative expenses

	For the year ended 31 December	
	2019	2018
	AED '000	AED '000
Staff costs	**162,309**	156,590
Rent	**4,412**	6,720
Depreciation	**9,150**	7,046
Others	**93,820**	95,920
	269,691	266,276

21.1 During the year the Group has not made any social contributions.

22 Income taxes

The Group calculates the annual income tax expense using the tax rate that would be applicable to the expected annual earnings. The Group entities operate in the Sultanate of Oman, Egypt, Syria, Turkey and Sri Lanka and are subject to income tax in these countries.

The component of income tax recognised in the consolidated statement of profit or loss is as follows:

	For the year ended 31 December	
	2019	2018
	AED '000	AED '000
Current income tax expense	**8,399**	7,472
Deferred taxes	**(1,424)**	(3,835)
Total	**6,975**	3,637

	31 December 2019	31 December 2018
	AED '000	AED '000
As at 1 January	**4,578**	311
Provisions during the year	**8,399**	7,472
Less: payments	**(9,509)**	(3,177)
Exchange differences	**394**	(28)
At 31 December	**3,862**	4,578

23 Basic and diluted earnings per share attributable to equity holders of the Company

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	For the year ended 31 December	
	2019	2018
	AED '000	AED '000
Profit after tax for the year	**425,104**	401,032
Less : Attributable to non-controlling interests	**(11,787)**	(7,613)
Profit attributable to shareholders	**413,317**	393,419
Weighted average number of shares outstanding	**5,000**	5,000
Earnings per share (AED / share)	**82.66**	78.68

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

24 Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group’s management.

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	For the year ended 31 December	
	2019	2018
	AED '000	AED '000
Gross premium written	**195,550**	224,405
General and administration expenses	**47,108**	36,382
Motor vehicle repair charges paid relating to claims	**40,800**	50,467
Interest income	**8,695**	3,828
Dividend income	**51,285**	43,357

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	For the year ended 31 December	
	2019	2018
	AED '000	AED '000
Short-term benefits	**29,067**	27,493
Employees' end of service benefits	**921**	1,296
	29,988	28,789

Balances with related parties included in the consolidated statement of financial position are as follows:

	31 December 2019	31 December 2018
	AED '000	AED '000
Investment securities	**34,519**	31,975
Deposit with banks	**324,661**	273,145
Amounts due from related parties	**92,121**	77,899
Amounts due to related parties	**3,550**	16,155

24 Related party transactions (continued)

Investment securities and deposits with banks are disclosed in notes 9 and 14 respectively.

Amounts due from and due to related parties are included in notes 11 and 19 respectively.

As at 31 December 2019 and 31 December 2018, amounts due from related parties were not impaired. The impairment assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related party operates.

25 Leases

(a) Leases as lessee (IFRS 16)

The Group leases office premises. The leases typically run for a period of one year, with an option to renew the lease after that date. The managment of the Group intends to lease the office premises till December 2023. Lease payments are renegotiated every three years to reflect market rentals.

The property leases started in 2016 as combined leases and renewed on a yearly basis. Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets related to leased properties are presented as property and equipment

	Office premises AED '000
Balance at 1 January 2019	**6,945**
Additions	**7,827**
Depreciation charge for the year	**(4,584)**
	10,188

ii. Lease liabiity

Less than one year	**1,646**
Between one and five years	**8,462**
	10,108

iii. Amounts recognised in statement of profit or loss and other comprehensive income

	For the year ended 31 December AED '000
2019 - Leases under IFRS 16	
Depreciation expense	**4,584**
Finance cost on lease liabilities	**1,881**
2018 - Operating leases under IAS 17	
Lease expense	**6,593**

25 Leases (continued)

iv. Amounts recognised in statement of cash flows

	For the year ended 31 December 2019 AED '000
Total cash outflow for leases	**5,646**

v. Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

26 Summary of the Actuary's report On The technical provisions

The Group's actuary has issued a report providing an actuarial estimate of the Group's reserves as at 31 December 2019.

a) Summary of the required technical provisions recommended by the Group's actuary:

	31 December 2019		31 December 2018	
	Gross AED '000	**Net AED '000**	Gross AED '000	Net AED '000
Unearned premium reserve (UPR) and unexpired risk reserve (URR)	**1,540,528**	**429,747**	1,363,733	423,839
Case Reserves (OSLR) and IBNR Reserve	**1,464,303**	**394,524**	1,471,171	402,605
Unallocated loss adjustment expense reserve	**23,039**	**12,037**	13,650	13,650
Mathematical Reserves and Unit linked funds' reserve	**404,955**	**377,955**	292,566	291,266
	3,432,825	**1,214,263**	3,141,120	1,131,360

*ALAE Reserve is included in the Loss Reserves (Case reserves and Incurred but not reported reserve)

b) Reconciliation of technical provisions as per actuary's report and the consolidated financial statements is as follows:

As per consolidated financial statements:

	31 December 2019		31 December 2018	
	Gross AED '000	**Net AED '000**	Gross AED '000	Net AED '000
Unearned premium reserve	**1,540,528**	**429,647**	1,363,733	423,839
Mathematical reserve	**272,536**	**245,536**	213,331	212,031
Unit-linked funds' reserve	**132,419**	**132,419**	79,235	79,235
Outstanding claims	**908,866**	**188,362**	947,441	210,499
Incurred but not reported reserve	**555,437**	**206,162**	510,770	189,097
Allocated loss adjustment expense reserve	**13,774**	**2,772**	12,960	3,009
Unallocated loss adjustment expense reserve	**9,265**	**9,265**	13,650	13,650
As per Actuarial valuation (note 26 a)	**3,432,825**	**1,214,163**	3,141,120	1,131,360

27 Segment information

Identification of reportable segments

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

- The general insurance segment comprises motor, marine, fire, engineering, general accident and medical.
- The life segment includes individual and group life insurance.
- Investment comprises investment and cash management for the Group's own account.

Transactions between operating segments are conducted at estimated market rates. Operating segment information is presented below:

	General insurance		**Life insurance**		**Total**	
	31 December 2019 AED '000	31 December 2018 AED '000	**31 December 2019 AED '000**	31 December 2018 AED '000	**31 December 2019 AED '000**	31 December 2018 AED '000
Gross premiums written	**3,491,544**	3,231,299	**389,534**	446,396	**3,881,078**	3,677,695
Gross underwriting income	**1,004,404**	993,339	**108,943**	126,858	**1,113,347**	1,120,197
Net underwriting income	**423,150**	417,168	**67,143**	90,173	**490,293**	507,341
General and administrative expenses	**(226,926)**	(220,456)	**(42,765)**	(45,820)	**(269,691)**	(266,276)
Net technical profit	**196,224**	196,712	**24,378**	44,353	**220,602**	241,065
Investment and other income					**211,477**	163,604
Profit before tax					**432,079**	404,669
Income tax expense net of deferred taxes					**(6,975)**	(3,637)
Profit after tax					**425,104**	401,032

27 Segment information (continued)

	General insurance		Life insurance		Investments		Total	
	31 December 2019 AED '000	31 December 2018 AED '000	**31 December 2019 AED '000**	31 December 2018 AED '000	**31 December 2019 AED '000**	31 December 2018 AED '000	**31 December 2019 AED '000**	31 December 2018 AED '000
Segment assets	**3,218,545**	2,917,885	**347,352**	356,807	**4,152,587**	3,807,820	**7,718,484**	7,082,512
Segment liabilities	**3,913,048**	3,662,913	**681,060**	626,934	**-**	-	**4,594,108**	4,289,847

28 Commitments and contingent liabilities

a) Capital commitments

The Group has the following capital commitments at the consolidated statement of financial position date:

	31 December 2019 AED '000	31 December 2018 AED '000
Commitment for investments	**4,090**	5,719

b) Contingent liabilities

At 31 December 2019, guarantees, other than those relating to claims for which provisions are held, amounting to AED 50,664 thousand (2018: AED 24,636 thousand) had been issued on behalf of the Group by its banker in the ordinary course of business.

c) Legal claims

The Group, in common with the majority of insurers, is subject to litigation in the normal course of its business. Based on independent legal advice, the management does not believe that the outcome of these court cases will have a material impact on the Group’s profit or financial condition.

29 Comparative figures

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