Abu Dhabi National Insurance Company PJSC and its subsidiary

Consolidated financial statements

31 December 2019

Principal business address:
Abu Dhabi National Insurance Company PJSC
P.O. Box: 839
Abu Dhabi
UAE

Abu Dhabi National Insurance Company PJSC

Composition of Board of Directors

Chairman:	Sheikh Mohamed Bin Saif Al-Nahyan
Vice Chairman:	Sheikh Theyab Bin Tahnoon Al-Nahyan
Members:	H.E. Sultan Rashed Al-Dhaheri Mr. Abdulla Khalaf Al-Otaiba Mr. Omar Liaqat Mr. Abdulrahman Hamad Al-Mubarak Mr. Hazza Mohamed Rubayea Al-Mheiri Mr. Hamoodah Ghanem Bin Hamoodah Mr. Mohamed Khalaf Al-Otaiba
Chief Executive Officer:	Mr. Ahmad Idris
Address:	P.O. Box 839 Abu Dhabi United Arab Emirates
External auditors:	KPMG Lower Gulf Limited

Abu Dhabi National Insurance Company P.J.S.C.
Board of Directors' Statement
For the year ended 31st December 2019

The Board of Directors is pleased to report Abu Dhabi National Insurance Company's financial results for the year ended 31st December 2019. ADNIC recorded a robust set of financial metrics which are a testament to the company's fundamental strengths and the commitment of its employees.

Reflecting on the year gone by, ADNIC increased its market share achieving a 29% increase in GWP and growth in both consumer and commercial lines of business. ADNIC's cost efficiency has increased over time and its administrative cost to GWP ratio went down to 6.7% in 2019 compared to 7.9% in 2018. ADNIC will continue to focus on continuously optimising its cost base.

Prudent underwriting and cost discipline led to an increase in Net Underwriting Income to AED 393.2 million, an increase of 6.4% compared to 2018. ADNIC's strong financial position is one of the core factors that enables it to underwrite more complex risks.

Investment returns in 2019 have been substantially higher and P&L investment income has gone up by 48.3% to AED 142.2 million. The securities portfolio is well diversified by asset class and going forward, it will be further diversified geographically particularly in risk assets.

In 2019, ADNIC's Mandatory Convertible Bonds were converted into new shares, increasing capital to AED 570 million from AED 375 million Total Shareholders' Equity at the end of 2019 was higher by 9.3% to AED 2.3 billion compared to AED 2.1 billion in 2018, indicating an extremely strong capital position and financial strength. Standard & Poors also maintained the rating at A- with a stable outlook. ADNIC focuses strongly on shareholder value and Return on Equity was 12.9% in 2019 and basic and diluted EPS was AED 0.50. The board intends to recommend a dividend of 30% (AED 0.30 per share), totaling AED 144.6 million, subject to approval by the shareholders at the annual general meeting.

During 2019, ADNIC continued its commitment of giving back to the local community, through its wide range of long-standing CSR initiatives and activities across communities and organisations, such as our partnerships with Al Bayt Mitwahid Association, the UAE Genetic Diseases Association and Mohammed Bin Rashid Al Maktoum Knowledge Foundation. In 2020, we look forward to strengthening our partnerships and renewing our commitment to foundations and initiatives across the UAE.

Building capabilities for the future is a key strategic imperative. To this end, ADNIC will continue to invest in digitisation initiatives and new technologies that have multiple strategic and financial spinoffs in future years. We are confident that this will generate sustainable and higher shareholder value going forward.

On behalf of the Board of Directors, I would like to extend our sincere gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President and Prime Minister, and Ruler of Dubai, and His Highness Sheikh Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, for their continued support.

I would also like to thank our customers, partners and shareholders for their support. We also appreciate the dedication and hard work of our employees.

Sheikh Mohamed Bin Saif Al-Nahyan
Chairman of the Board

Abu Dhabi National Insurance Company P.J.S.C.
Chief Executive Officer's Statement
For the year ended 31st December 2019

I hereby present ADNIC's financial results for the year ended 31st December 2019.

2019 marked another successful year for ADNIC, characterised by strong growth across key lines of business. This performance is testament to the Company's unwavering commitment towards sound and prudent underwriting policies in both the fields of insurance and investments, strength of our customer service proposition, technical excellence, product and service innovation and commitment to the community have yielded very good results year after year.

Looking ahead, we remain firmly committed to supporting our customers and employees, and maximising shareholder returns as well as continuing to give back to the community.

Key Financial Highlights

Gross Written Premiums
For the year 2019, ADNIC's gross written premiums increased by 29.1% to AED 3.76 billion compared to AED 2.91 billion for 2018.

Premium Retention
The overall premium retention ratio is 32.1% for the year 2019 compared to 46.1% for 2018.

Net Underwriting Income
For the year 2019, ADNIC's net underwriting profit increased by 6.4% to AED 393.2 million, against Net Underwriting Profit of AED 369.5 million for 2018.

General and Administrative Expenses
General and administrative Expenses for 2019 stood at AED 251.1 million compared to AED 229.7 million for 2018.

Net Technical Profit
Net technical profit for the year 2019 increased by 1.6% to AED 143.7 million against AED 141.4 million for 2018.

Net Investment Income
ADNIC's net investment and other income increased by 48.3% to AED 142.2 million for 2019 compared to AED 95.9 million for 2018.

Net Profit
For the year 2019, net profit increased by 20.7% to AED 284.3 million, compared to net profit of AED 235.6 million for 2018.

Abu Dhabi National Insurance Company P.J.S.C.
Chief Executive Officer's Statement
For the year ended 31st December 2019
(Continued)

Appreciation

I would also like to express my appreciation to our customers and shareholders for their support and to our employees for their exceptional contributions and hard work. We are confident that in 2020 we will continue to achieve our long-term strategic priorities and continue to support our customers' evolving needs.

Ahmad Idris
Chief Executive Officer

Abu Dhabi National Insurance Company PJSC and its subsidiary

Consolidated financial statements

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KPMG Lower Gulf Limited
Level 19, Nation Tower 2
Abu Dhabi Corniche, UAE
Tel. +971 (2) 401 4800, Fax +971 (2) 632 7612

Independent Auditors' Report

To the Shareholders of Abu Dhabi National Insurance Company PJSC

Report on the Audit of Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying 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, 7(ii) and 14 to the consolidated financial statements.

Insurance contract liabilities ("liabilities") comprises of unearned premiums reserve, outstanding claims reserve, claims incurred but not reported reserve ("IBNR") and allocated and unallocated loss adjustment expense reserve. 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 incurred but not reported to the Group. IBNR is calculated by an independent qualified external 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 statement of profit or loss. The key assumptions that drive the liability calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business.

The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating liabilities, or for forming 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 amounts recorded in the consolidated financial statements are valued adequately;

- testing the completeness and accuracy of the underlying data used in the estimation of liabilities;

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

- assessing the experience and competence of the 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 the appropriateness of the claims development table.

Key audit matters (continued)

2. *Insurance balances receivable*

Refer to notes 5 and 13 to the consolidated financial statements.

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

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

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

- determining the criteria for a significant increase in credit risk ('SICR').
- factoring in future economic assumptions.
- techniques used to determine the Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD').

Our response:

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

- testing the ageing of insurance balances receivable to assess if these have been accurately determined;
- obtaining balance confirmations from the respective counterparties such as policyholders, insurance companies and brokers;
- verifying payments received from such counterparties post year-end;
- obtaining an understanding of the Group's process for estimating the ECL;
- We reviewed the computation of PDs using the flow rate approach for insurance balances receivable;
- for forward looking information used by the Group, we held discussions with management and corroborated the information using publicly available information;
- performed a recalculation of the loss rate for different aging buckets; and
- considering the adequacy of provisions for impairment of insurance balances receivable 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.

Key audit matters (continued)

3. *Valuation of investment properties*

Refer to notes 5 and 11 to the consolidated financial statements.

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

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

- we assessed the competence, qualification, independence and integrity of the external valuers and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;
- we obtained the external valuation reports for all properties and confirmed that the valuation approach is in accordance with Royal Institute of Chartered Surveyors' (RICS) standards and is suitable for use in determining the fair values;
- we carried out procedures to test whether property specific standing data supplied to the external valuers by management is adequate and reliable; and
- based on the outcome of our evaluation, we determined the adequacy of the disclosure in the consolidated financial statements.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified audit opinion on those consolidated financial statements for the year ended 31 December 2018 on 12 February 2019.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report which we obtained prior to the date of the auditors' report and we expect to obtain the remaining sections of the 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.

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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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 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:

- 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.

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

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

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;

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

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 10 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2019;

vi) note 26 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 to the Company its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2019; and

viii) note 29 to the consolidated financial statements discloses social contributions made during the year.

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

KPMG Lower Gulf Limited

Emilio Pera
Registration No: 1146
Abu Dhabi, United Arab Emirates
Date: 10 FEB 2020

Abu Dhabi National Insurance Company PJSC and its subsidiary

Consolidated statement of financial position
as at 31 December

	Note	2019 AED'000	2018 AED'000
Assets			
Property and equipment	*9*	**71,950**	71,624
Financial assets at amortised cost	*10*	**800,872**	774,315
Financial assets at fair value through other comprehensive income	*10*	**1,203,104**	1,135,973
Financial assets at fair value through profit or loss	*10*	**325,493**	270,218
Investment properties	*11*	**703,027**	709,987
Statutory deposits	*12,15*	**10,000**	10,000
Insurance balances receivable	*13*	**962,770**	892,649
Reinsurers' share of unearned premiums reserve	*14*	**926,667**	739,584
Reinsurers' share of outstanding claims reserve	*14*	**1,634,783**	1,296,925
Reinsurers' share of claims incurred but not reported reserve	*14*	**259,317**	318,937
Prepayments and other receivables	*13*	**112,660**	185,417
Deposits	*12*	**128,292**	507,866
Bank balances and cash	*12*	**782,073**	336,769
Total assets		**7,921,008**	7,250,264
Equity and liabilities			
Equity			
Share capital	*16*	**570,000**	375,000
Share premium	*20*	**110,925**	-
Legal reserve	*17*	**215,925**	187,500
General reserve	*18*	**1,000,000**	850,000
Fair value reserve		**94,126**	85,914
Mandatory convertible bonds – equity component	*20*	**-**	305,925
Retained earnings	*19*	**305,361**	297,400
Total equity		**2,296,337**	2,101,739
Liabilities			
Employees' end of service benefits	*21*	**30,916**	31,600
Other payables	*22*	**213,388**	311,132
Mandatory convertible bonds – liability component	*20*	**-**	27,960
Accounts payable	*22*	**1,128,766**	819,743
		1,373,070	1,190,435
Technical reserves			
Unearned premiums reserve	*14*	**1,385,236**	1,284,135
Outstanding claims reserve	*14*	**2,393,205**	2,090,512
Claims incurred but not reported reserve	*14*	**437,454**	537,214
Allocated and unallocated loss adjustment expenses reserve	*14*	**35,706**	46,229
Total technical reserves	*14*	**4,251,601**	3,958,090
Total liabilities		**5,624,671**	5,148,525
Total equity and liabilities		**7,921,008**	7,250,264

The 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:

Chairman of the Board of Directors **Chief Executive Officer**

The notes set out on pages 13 to 58 form an integral part of these consolidated financial statements.

The independent auditors' report on audit of the consolidated financial statements is set out on pages 1 to 7.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Consolidated statement of profit or loss

for the year ended 31 December

	Note	2019 AED'000	2018 AED'000
Underwriting income			
Gross written premiums	27	**3,755,680**	2,909,471
Reinsurance share of gross written premiums	27	**(2,550,674)**	(1,567,247)
Net written premiums		**1,205,006**	1,342,224
Net transfer to unearned premiums reserve	27	**85,983**	88,089
Net premiums earned	27	**1,290,989**	1,430,313
Commissions earned	27	**239,460**	150,913
Commissions incurred	27	**(154,201)**	(144,274)
Gross underwriting income		**1,376,248**	1,436,952
Gross claims paid	27	**(1,909,469)**	(1,716,488)
Reinsurance share of claims paid	27	**882,458**	758,439
Net claims paid	27	**(1,027,011)**	(958,049)
Change in outstanding claims reserve		**(302,694)**	(91,166)
Change in reinsurance share of outstanding claims reserve		**337,857**	935
Net change in incurred but not reported claims reserve		**40,141**	14,223
Net decrease in allocated and unallocated loss adjustment expenses reserve		**10,523**	5,871
Net claims incurred	27	**(941,184)**	(1,028,186)
Underwriting income		**435,064**	408,766
Other income related to underwriting activities	27	**18,468**	9,816
Other expenses related to underwriting activities	27	**(60,385)**	(49,084)
Net underwriting income		**393,147**	369,498
Income from investments, net	23	**110,334**	58,721
Income from investment properties (rental income), net	23	**31,882**	37,157
Total income		**535,363**	465,376
General and administrative expenses	24	**(244,588)**	(226,705)
Charge for impairment of premiums and insurance receivables	13	**(6,525)**	(3,027)
Profit for the year	27	**284,250**	235,644
Earnings per share:			
Basic and diluted earnings per share (AED)	25	**0.50**	0.42

The notes set out on pages 13 to 58 form an integral part of these consolidated financial statements.

The independent auditors' report on audit of the consolidated financial statements is set out on pages 1 to 7.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December

	Note	**2019 AED'000**	2018 AED'000
Profit for the year		**284,250**	235,644
Other comprehensive income			
Items that will not be reclassified subsequently to statement of profit or loss:			
Gain / (loss) on sale of equity investments at fair value through other comprehensive income		**14,636**	(2,677)
Changes in fair value of equity investments at fair value through other comprehensive income	*10*	**(8,376)**	9,375
Items that are or may be reclassified subsequently to statement of profit or loss:			
Changes in fair value of debt investments at fair value through other comprehensive income	*10*	**15,860**	(16,652)
Impairment loss on debt investments measured at fair value through other comprehensive income – reclassified to profit or loss		**728**	-
Directors' remuneration	*19*	**-**	(5,800)
Other comprehensive income / (loss) for the year		**22,848**	(15,754)
Total comprehensive income for the year		**307,098**	219,890

The notes set out on pages 13 to 58 form an integral part of these consolidated financial statements.

The independent auditors' report on audit of the consolidated financial statements is set out on pages 1 to 7.

Consolidated statement of changes in shareholders' equity
for the year ended 31 December

	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	General reserve AED'000	Fair value reserve AED'000	Mandatory convertible bond AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2018	375,000	-	187,500	750,000	93,191	305,925	263,983	1,975,599
Total comprehensive income:								
Profit for the year	-	-	-	-	-	-	235,644	235,644
Other comprehensive loss for the year	-	-	-	-	(7,277)	-	(8,477)	(15,754)
Total comprehensive (loss) / income for the year	-	-	-	-	(7,277)	-	227,167	219,890
Transactions with owners of the Company:								
Dividends paid *(note 19)*	-	-	-	-	-	-	(93,750)	(93,750)
Total transactions with owners of the Company	-	-	-	-	-	-	(93,750)	(93,750)
Transfer from retained earnings to general reserve *(note 18)*	-	-	-	100,000	-	-	(100,000)	-
Balance at 31 December 2018	375,000	-	187,500	850,000	85,914	305,925	297,400	2,101,739
Balance at 1 January 2019	**375,000**	-	**187,500**	**850,000**	**85,914**	**305,925**	**297,400**	**2,101,739**
Total comprehensive income:								
Profit for the year	-	-	-	-	-	-	**284,250**	**284,250**
Other comprehensive income for the year	-	-	-	-	**8,212**	-	**14,636**	**22,848**
Total comprehensive income for the year	-	-	-	-	**8,212**	-	**298,886**	**307,098**
Transactions with owners of the Company:								
Dividends paid *(note 19)*	-	-	-	-	-	-	**(112,500)**	**(112,500)**
Total transactions with owners of the Company	-	-	-	-	-	-	**(112,500)**	**(112,500)**
Conversion of mandatory convertible bonds *(note 20)*	**195,000**	**110,925**	-	-	-	**(305,925)**	-	-
Transfer from retained earnings to legal reserve *(note 17)*	-	-	**28,425**	-	-	-	**(28,425)**	-
Transfer from retained earnings to general reserve *(note 18)*	-	-	-	**150,000**	-	-	**(150,000)**	-
Balance at 31 December 2019	**570,000**	**110,925**	**215,925**	**1,000,000**	**94,126**	-	**305,361**	**2,296,337**

The notes set out on pages 13 to 58 form an integral part of these consolidated financial statements.

Abu Dhabi National Insurance Company PJSC and its subsidiary

Consolidated statement of cash flows

for the year ended 31 December

	Note	2019 AED'000	2018 AED'000
Cash flows from operating activities			
Profit for the year		**284,250**	235,644
Adjustments for:			
Depreciation	*9*	**19,364**	13,422
Impairment loss on insurance balances receivable	*13*	**6,525**	3,027
Allowance for impairment losses on other financial assets	*23,24*	**2,127**	-
Gain on sale of financial assets at fair value through profit or loss	*23*	**-**	(38)
Gain on sale of financial assets at amortised cost	*23*	**-**	(143)
Change in fair value of financial assets at fair value through profit or loss	*10*	**(3,689)**	6,960
Amortisation expense – net	*10*	**2,267**	3,307
Change in fair value of investment properties	*11*	**10,671**	32,447
Accretion on mandatory convertible bonds	*20*	**1,290**	2,422
Deletion of property and equipment		**238**	-
Amortisation of transaction cost - mandatory convertible bonds	*20*	**83**	183
Provision for employees' end of service benefits	*21*	**4,517**	4,200
Net cash generated from operations		**327,643**	301,431
Changes in:			
Insurance balances receivable, prepayments and other receivables		**(4,362)**	(107,565)
Accounts payables		**201,298**	377,377
Unearned premiums reserve - net		**(85,982)**	(88,089)
Gross outstanding claims and IBNR reserves		**192,410**	82,509
Reinsurance share in outstanding claims and IBNR reserves		**(278,238)**	(12,372)
Cash generated from operations		**352,769**	553,291
Employees' end of service benefits paid	*21*	**(5,201)**	(3,519)
Net cash generated from operating activities		**347,568**	549,772
Cash flows from investing activities			
Proceeds from sale of investments		**665,964**	493,766
Purchase of investments	*10*	**(791,884)**	(748,947)
Bank deposits withdrawn / (placed)		**379,509**	(25,936)
Additions to investment properties	*11*	**(3,711)**	(1,409)
Additions to property and equipment	*9*	**(9,947)**	(15,181)
Net cash generated from / (used in) investing activities		**239,931**	(297,707)
Cash flows from financing activities			
Dividends paid	*19*	**(112,500)**	(93,750)
Directors' remuneration	*24*	**-**	(5,800)
Interest paid on mandatory convertible bonds	*20*	**(29,250)**	(29,250)
Net cash used in financing activities		**(141,750)**	(128,800)
Net increase in cash and cash equivalents		**445,749**	123,265
Cash and cash equivalents at 1 January		**336,769**	213,504
Cash and cash equivalents at 31 December	*12*	**782,518**	336,769

Material non-cash transactions include conversion of mandatory bonds to share capital and recognition / write off of right of use of assets relating to leased properties under property and equipment.

The notes set out on pages 13 to 58 form an integral part of these consolidated financial statements.

The independent auditors' report on audit of the consolidated financial statements is set out on pages 1 to 7.

1 Legal status and activities

Abu Dhabi National Insurance Company PJSC (the 'Company') is a public joint stock company registered and incorporated in Abu Dhabi, United Arab Emirates, by Law No. (4) of 1972 as amended, and is governed by the provisions of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority and Organisation of the Insurance Operations, the Federal Law No. (2) of 2015 Concerning the Commercial Companies, Insurance Authority Board of Directors' Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies and Insurance Authority Board of Directors' Decision No. (23) of 2019 Concerning Instructions Organizing Reinsurance Operations. The Group's principal activity is the transaction of insurance and reinsurance business of all classes and is registered with the Insurance Companies Register of Insurance Authority of UAE under registration No. 001. The registered office of the Group is Khalifa Street, ADNIC Building, P. O. Box 839, Abu Dhabi, UAE.

2 Basis of preparation

(a) Statement of compliance

The 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 of Directors' 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 have been prepared under the historical cost convention except for investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair values.

(c) Functional and reporting currency

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Use of judgments and estimates

In preparing these financial statements, management has made judgments and estimates 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual consolidated financial statements for the year ended 31 December 2018, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which are described in *note 4* below.

2 Basis of preparation *(continued)*

(d) Use of estimates and judgment (continued)

(i) Estimation uncertainty

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

Provision for incurred but not reported claims (IBNR)

Considerable judgment by management is required in the estimation of amounts due to contract holders arising from claims under insurance contracts and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the statement of financial position date. Such estimates are made using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Claims requiring court or arbitration decisions are estimated individually. Management reviews its provisions for claims incurred on a periodic basis. The carrying value at the reporting date of IBNR reserve (net of related reinsurance receivable) is AED 178.1 million *(31 December 2018: AED 218.3 million).*

Provision for outstanding claims

Provision for outstanding claims include provision for ALAE and ULAE reserves. Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Group generally estimates its claims based on previous experience and / or loss adjustor reports. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters along with the Group's internal legal counsel normally estimate such claims. The carrying value at the reporting date of provision for outstanding claims (net of related reinsurance assets including ALAE/ULAE reserves) is AED 794.1 million *(31 December 2018: AED 839.8 million).*

Measurement of the expected credit losses allowance

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of Expected Credit Losses ("ECL") requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

A number of factors are also considered in applying the accounting requirements for measuring ECL, such as:

- determining the criteria for significant increase in credit risk;
- determining the criteria and definition of default;
- choosing appropriate models and assumptions for the measurement of ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

2 Basis of preparation *(continued)*

(d) Use of estimates and judgment (continued)

(i) Estimation uncertainty (continued)

Measurement of the expected credit losses allowance (continued)

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

Fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation consultants based on discounted cash flow (DCF) and investment method of valuation. The investment method analyses potential rental income from the property and deducts the expenses incurred in the operation of the asset. The net rental income is then capitalised at market standards to arrive at fair value. The DCF method calculates the present value of net cashflows.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised. The change in fair value recognised in the consolidated statement of profit or loss for the year was a decrease of AED 10,671 thousand *(31 December 2018: decrease of AED 32,447 thousand).*

Other estimate

Provision for unearned premium reserve, premium deficiency reserve and unexpired risk reserve

Unearned premium reserves include premium deficiency reserve (PDR) and unexpired risk reserve (URR) which are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of UPR, PDR and URR reserve (net of related reinsurance asset) is AED 458.6 million *(31 December 2018: AED 544.6 million).*

(ii) Judgments

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

Classification of investments

Management decides on acquisition of an investment whether it should be classified as investments carried at fair value or amortised cost on the basis of both:

(a) its business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

For equity investments carried at fair value, management decides whether it should be classified as financial assets carried at fair value through other comprehensive income or fair value through profit or loss.

2 Basis of preparation *(continued)*

(d) Use of estimates and judgment *(continued)*

(ii) Judgements *(continued)*

Classification of investments (continued)

Investments in equity instruments are classified and measured at fair value through profit or loss ("FVTPL") except if the equity investment is not held for trading and is designated by the Company at fair value through other comprehensive income ("FVOCI").

Further, even if the asset meets the amortised cost criteria the Company may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

For debt securities acquired to match its business model of development of the line of business, the Company classifies these investments as financial assets at fair value through other comprehensive income.

Fair value of financial instruments

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

3 Basis of consolidation

The consolidated financial statements comprise the financial results of the Company and its subsidiary:

Subsidiary	Principal activity	Country of incorporation	Ownership
ADNIC International Limited*	Other activities auxiliary to insurance	United Kingdom	100%

* The Company incorporated a wholly owned subsidiary on 3 July 2017 named ADNIC International Limited to operate as a representative office of the Company in London, England.

The subsidiary is fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiary is prepared for the same reporting year as the Group, using consistent accounting policies.

Intra-group balances and transactions, and any unrealised gains / losses arising from intra-group transactions, are eliminated in preparing the Group's consolidated financial statements.

4 Changes in accounting policies

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 financial statements.

IFRS 16 Leases (effective 1 January 2019)

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

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.

(a) 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, under IFRS 16.

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.

(b) As a lessee

As a lessee, the Group leases properties. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the 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 (see *note 4 (d)*).

4 Changes in accounting policies *(continued)*

IFRS 16 Leases *(continued)*

(b) As a lessee *(continued)*

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

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: the Group applied this approach to its largest property lease; 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 other leases.

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.

(ii) Leases classified as finance leases under IAS 17

The Group does not hold leases which were classified as finance leases under IAS 17 as at 1 January 2019 and 31 December 2019.

(c) As a lessor

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

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group does not sub-lease its properties.

The Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

(d) Impact on consolidated financial statements

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised AED 13,294 thousand of right-of-use assets (included in property and equipment) and AED 13,294 thousand of lease liabilities as of 1 January 2019.

4 Changes in accounting policies *(continued)*

IFRS 16 Leases *(continued)*

(d) Impact on consolidated financial statements *(continued)*

Further, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Group recognised AED 4,938 thousand of depreciation charges and AED 712 thousand of interest costs from these leases.

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 5%.

5 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise in *note 4* above.

Financial assets and liabilities

Recognition

The Group initially recognises deposits and debt securities issued on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in:

(i) Consolidated statement of profit or loss, for securities held at amortised cost or FVTPL, or

(ii) Consolidated statement of other comprehensive income, for investments at FVOCI. At the time of derecognition of FVOCI investment any revaluation reserve is transferred to retained earnings.

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

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

5 Significant accounting policies *(continued)*

Financial assets and liabilities *(continued)*

Designation at amortised cost

Debt instruments are classified as investments at amortised cost only if:

(i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the two criteria is not met the financial instrument is classified at fair value through profit or loss. Further, even if the asset meets the amortised cost criteria, the Group may choose at initial recognition to designate the financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Investments in equity instruments are classified and measured at fair value through profit or loss except if the equity investment is not held for trading and is designated by the Group at fair value through other comprehensive income. If the equity investment is designated at fair value through other comprehensive income, all gains and losses, except for dividend income recognised in accordance with IFRS 15 *Revenue from Contracts with Customers*, are recognised in consolidated statement of other comprehensive income and are not subsequently reclassified to the consolidated statement of profit or loss.

Other financial assets

Other non-derivative financial assets, such as cash and cash equivalents, statutory deposits, insurance and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards. Gains and losses arising from a group of similar transactions are reported on a net basis.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

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

5 Significant accounting policies *(continued)*

Fair value measurement *(continued)*

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

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

The principal or the most advantageous market must be accessible to / by the Group.

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in *note 8*.

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

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

5 Significant accounting policies *(continued)*

Impairment

(i) Financial assets

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

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

Expected credit losses for other financial assets, i.e. bank balances, term deposits, debt instruments at amortised cost and FVOCI are determined using the low credit risk expedient, and therefore recognised a 12-month ECL.

The impairment charge of debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

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

(ii) Non-financial assets

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 and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

5 Significant accounting policies *(continued)*

Impairment *(continued)*

(ii) Non-financial assets (continued)

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

Insurance contracts

Classification

The Group issues contracts that transfer either insurance risk or both insurance and financial risks. The Group does not issue contracts that transfer only financial risks.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Group to pay significant additional benefits due to occurrence of the insured event as compared to the non – occurrence. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Premiums

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

Premiums include any adjustments in respect of business written in prior accounting periods. The earned portion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premiums reserve

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

Unexpired risk reserve

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

5 Significant accounting policies *(continued)*

Insurance contracts *(continued)*

Reserve for premium deficiency / liability adequacy test

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

Claims

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the consolidated financial statements of the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

Reinsurance

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

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

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

Impairment losses on reinsurance assets are recognised in consolidated statement of profit or loss in the period in which they are incurred.

Deferred commission and other expenses and unearned commission and other income

At the end of each reporting period, portion of commission income and other income and portion of commission expenses and other expenses related to underwriting activities are deferred to cover for unexpired risks. The reserves are calculated on a time-proportion basis over the effective period of the policy.

5 Significant accounting policies *(continued)*

Insurance contracts *(continued)*

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 expected credit losses, 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.

Insurance payables

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

Insurance contract liabilities

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

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Group and still unpaid at the reporting date, in addition for claims incurred but not reported.

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. Unearned premiums are calculated on a time proportion basis over the effective period of the policy. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The Group provides unearned premium reserve based on actual terms of the policy.

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

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

Finance cost

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.

Property and equipment

Recognition and measurement

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

5 Significant accounting policies *(continued)*

Property and equipment *(continued)*

Recognition and measurement *(continued)*

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

Subsequent cost

The cost of replacing a part of property and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day to day servicing of property and equipment is recognised in the consolidated statement of profit or loss.

Gains and losses on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within other operating income in the consolidated statement of profit or loss.

Depreciation

Depreciation is recognised in the consolidated income statement on a straight-line basis over the remaining economic useful lives of all property and equipment. Freehold land and capital work in progress are not depreciated.

The economic useful lives of assets, from the date of use, for the current and comparative period are estimated to be as follows:

	Useful life
Building	10 - 20 years
Furniture, fixtures and leasehold improvements	4 - 10 years
Computer hardware, software and office equipment	2 - 8 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Impairment

The carrying amounts are reviewed at each reporting date for indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in the consolidated statement of profit or loss to the extent that carrying values do not exceed the recoverable amounts.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

5 Significant accounting policies *(continued)*

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in operating income in the consolidated statement of profit or loss. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. The Group holds investment properties which are disclosed in *note 11*.

Revenue - non insurance

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

Rental income

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

Interest income

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

Dividend income

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

Investment income

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

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

Realised and unrealised gain

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

Foreign currency

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realised and unrealised exchange gains and losses have been dealt with in the consolidated statement of profit or loss.

5 Significant accounting policies *(continued)*

Provisions

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

Staff end of service benefits

Defined benefit plan

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final basic 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.

Defined contribution plan

The Group pays its obligations for UAE citizens into a Social Security and UAE Pension Fund in accordance with the Federal Law No. (7) of 1999 for Pension and Social Security.

Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

6 Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

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

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

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

6 Standards issued but not yet effective *(continued)*

***IFRS 17 Insurance Contracts** (continued)*

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

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

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

7 Risk management

This section summarises the risks faced by the Group and the way the Group manages them.

(i) Introduction and overview

Overall 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 the set financial performance objectives. Management recognises the critical importance of having efficient and effective risk management systems in place.

Capital management framework

The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and shareholders and monitor 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 Company are also subject to regulatory requirements within the UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise. The chairman of the Insurance Authority vides Board of Directors' Decision No. (25) of 2014 dated 28th December 2014, issued Financial Regulation for Insurance Companies (FRIC) applicable to insurance companies incorporated in the UAE and the foreign insurance companies licensed to practice the activity in the UAE. The major highlights of the new regulation are summarised in the below table:

7 Risk management *(continued)*

(i) Introduction and overview *(continued)*

Regulation

a) Basis of Investing the Rights of the Policy Holders
b) Solvency Margin and Minimum Guarantee Fund
c) Basis of calculating the technical provisions
d) Determining the Company's assets that meet the accrued insurance liabilities
e) Records which the Company shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
f) Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records
g) Accounting policies to be adopted and the necessary forms needed to be prepared and present reports and financial statements

(ii) Insurance risk

The Group accepts insurance risk through its written insurance contracts. The Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Group writes the following types of general insurance contracts:

- Marine hull insurance
- Marine cargo insurance
- Aviation insurance
- Engineering and construction insurance
- Energy insurance
- Liability insurance
- Financial lines insurance
- Property insurance
- Personal accident insurance
- Group and credit life insurance
- Motor insurance
- Health insurance

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

Underwriting strategy

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

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

7 Risk management *(continued)*

(ii) Insurance risk *(continued)*

***Underwriting strategy** (continued)*

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

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

The Group operates a number of oversight committees that monitor aggregate risk data and take overall risk management decisions.

Geographical concentration of risks

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

Reinsurance strategy

The reinsurance arrangements include proportional, excess and catastrophe coverage. The Group reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

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

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

The estimated loss ratios are analysed below by class of business for the current and previous year:

Type of risk	**31 December 2019** Gross loss ratio	**31 December 2019** Net loss ratio	31 December 2018 Gross loss ratio	31 December 2018 Net loss ratio
Commercial	**41%**	**51%**	53%	57%
Consumer	**77%**	**81%**	71%	77%

7 Risk management *(continued)*

(ii) Insurance risk *(continued)*

Reinsurance Strategy *(continued)*

Sensitivity of underwriting profit and losses

The underlying risk of any agreed insurance contract is the possibility that the insured event occurs and the level of certainty the insurer can project on any resulting claim. By the nature of an insurance contract, this risk is often random and the amount of payable claim even more unpredictable. Therefore, the Group applies the principle of probability across all pricing and provisioning. Despite this principle the risk that actual claims payments exceed the estimated amount of the insurance liabilities is still ever present due to the uncertainty of the frequency or severity of claims being greater than estimated. Whilst the Group applies the portfolio approach to understand its projected claims, events leading to actual claims vary and therefore profitability is impacted, either positively or negatively on an annual basis.

The Group has an overall risk retention level of 32% *(31 December 2018: 46%)* and this is mainly due to overall low retention levels in commercial lines. Despite these low retention levels on commercial lines, due to the unpredictability in events and their extreme volatility, large events stress the performance of the Group despite transferring risks to other parties. For all lines of business, the Group is adequately covered by excess of loss reinsurance programs to guard against any major financial impact.

7 Risk management *(continued)*

(ii) Insurance risk *(continued)*

Claim development

The following schedule reflects the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an accident year basis:

	2014 and earlier AED'000	2015 AED'000	2016 AED'000	2017 AED'000	2018 AED'000	2019 AED'000	Total AED'000
Commercial (gross)							
At the end of the reporting year		844,711	925,939	1,279,382	1,061,297	1,064,285	5,175,614
One year later		785,954	730,350	1,181,674	1,028,620	-	3,726,598
Two years later		703,396	661,482	1,057,676	-	-	2,422,554
Three years later		700,908	627,640	-	-	-	1,328,548
Four years later		684,556	-	-	-	-	684,556
Current estimate of cumulative claims		684,556	627,640	1,057,676	1,028,620	1,064,285	4,462,777
Cumulative payments to date		633,854	546,682	765,183	273,190	53,005	2,271,914
Total liability recognised in the consolidated statement of financial position	**165,175**	**50,702**	**80,958**	**292,493**	**755,430**	**1,011,280**	**2,356,038**
Net liability recognised in the consolidated statement of financial position	**49,182**	**204**	**2,818**	**86,724**	**196,606**	**350,445**	**685,979**
Consumer (gross)							
At the end of the reporting year		968,060	864,253	885,329	1,118,911	1,331,371	5,167,924
One year later		895,816	816,489	836,589	1,091,540	-	3,640,434
Two years later		884,024	796,621	827,537	-	-	2,508,182
Three years later		888,413	804,515	-	-	-	1,692,928
Four years later		886,675	-	-	-	-	886,675
Current estimate of cumulative claims		886,675	804,515	827,537	1,091,540	1,331,371	4,941,638
Cumulative payments to date		876,191	785,188	805,559	1,030,746	940,089	4,437,773
Total liability recognised in the consolidated statement of financial position	**6,462**	**10,484**	**19,327**	**21,978**	**60,794**	**391,282**	**510,327**
Net liability recognised in the consolidated statement of financial position	**1,681**	**7,044**	**8,556**	**13,962**	**24,838**	**230,205**	**286,286**
Total commercial and consumer (gross)	**171,637**	**61,186**	**100,285**	**314,471**	**816,224**	**1,402,562**	**2,866,365**
Total commercial and consumer (net)	**50,863**	**7,248**	**11,374**	**100,686**	**221,444**	**580,650**	**972,265**

7 Risk management *(continued)*

(ii) Insurance risk *(continued)*

Concentration of insurance 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. The Group manages its risks through it's prudent underwriting strategy, reinsurance arrangements aligned with the Group's risk appetite and thorough claims handling.

Underwriting limits are in place to enforce appropriate risk selection criteria for the type of risk being underwritten based on our historical data and market analysis.

As part of our strategy to decrease volatility due to concentration of exposure, 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 reinsurers. Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

The concentration of insurance risk as at 31 December 2019 was as follows:

	Commercial		**Consumer**		**Total exposure**	
	Gross AED'000	**Net AED'000**	**Gross AED'000**	**Net AED'000**	**Gross AED'000**	**Net AED'000**
UAE	**2,336,462,729**	**362,686,790**	**141,343,037**	**24,509,199**	**2,477,805,766**	**387,195,989**
GCC countries	**100,030,819**	**39,126,749**	**944,642**	**604,118**	**100,975,461**	**39,730,867**
Others	**122,928,736**	**55,259,090**	**1,508,998**	**918,311**	**124,437,734**	**56,177,401**
	2,559,422,284	**457,072,629**	**143,796,677**	**26,031,628**	**2,703,218,961**	**483,104,257**

The concentration of insurance risk as at 31 December 2018 was as follows:

	Commercial		Consumer		Total exposure	
	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000
UAE	1,148,969,867	292,185,196	119,921,549	37,455,812	1,268,891,416	329,641,008
GCC countries	123,743,489	45,890,996	582,463	178,238	124,325,952	46,069,234
Others	82,785,384	30,376,100	2,426,947	1,451,464	85,212,331	31,827,564
	1,355,498,740	368,452,292	122,930,959	39,085,514	1,478,429,699	407,537,806

(iii) Financial risk management

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

7 Risk management *(continued)*

(iii) Financial risk management *(continued)*

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.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk:

	2019 **AED'000**	2018 AED'000
Maximum exposure		
Financial assets at amortised cost	**800,872**	774,315
Reinsurance contract assets	**1,634,783**	1,296,925
Insurance balances and other receivables	**991,563**	956,126
Bank balances	**920,275**	854,548
Total	**4,347,493**	3,881,914

Compliance with the policy is monitored and exposures and breaches are regularly reviewed for changes in the risk environment.

For all classes of financial assets held by the Group, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

Reinsurance is placed with reinsurers approved by the management, which are generally international reputed companies with acceptable credit ratings.

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 reinsurers.

Management of credit risk

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management annually.

The credit risk on liquid funds maintained with banks is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies or reputable local banks closely monitored by the regulatory body.

7 Risk management *(continued)*

(iii) Financial risk management *(continued)*

***Credit risk** (continued)*

Management of credit risk (continued)

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk for such receivables and liquid funds.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance strategy, ascertaining suitable allowance for impairment if required.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities.

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

Management of liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Details of the Group's financial liabilities are summarised in the table below by the maturity profile of the Group's assets and liabilities based on the contractual repayment arrangements. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

		Contractual cash outflows	
	Carrying amount AED'000	**Upto 180 days AED'000**	**181 to 365 days AED'000**
Financial liabilities at 31 December 2019			
Insurance contract liabilities	**2,866,365**	**(1,024,951)**	**(1,841,414)**
Accounts and other payables	**1,194,777**	**(1,194,777)**	**-**
Total	**4,061,142**	**(2,219,728)**	**(1,841,414)**

7 Risk management *(continued)*

(iii) Financial risk management *(continued)*

***Liquidity risk** (continued)*

Management of liquidity risk (continued)

	Carrying amount AED'000	Contractual cash outflows Upto 180 days AED'000	181 to 365 days AED'000
Financial liabilities at 31 December 2018			
Insurance contract liabilities	2,673,955	(1,019,758)	(1,654,197)
Accounts and other payables	954,633	(954,633)	-
Mandatory convertible bonds	27,960	(27,960)	-
Total	3,656,548	(2,002,351)	(1,654,197)

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

	Current AED '000	**Non-current AED '000**	**Total AED '000**
31 December 2019			
Bank balances	**910,365**	**10,000**	**920,365**
Insurance balances and other receivables	**1,075,430**	-	**1,075,430**
Reinsurance contracts assets	**2,820,767**	-	**2,820,767**
Investments	**1,329,824**	**999,645**	**2,329,469**
Investment properties	-	**703,027**	**703,027**
Property and equipment	-	**71,950**	**71,950**
	6,136,386	**1,784,622**	**7,921,008**
31 December 2018			
Bank balances	844,635	10,000	854,635
Insurance balances and other receivables	1,078,066	-	1,078,066
Reinsurance contracts assets	2,355,446	-	2,355,446
Investments	1,210,675	969,831	2,180,506
Investment properties	-	709,987	709,987
Property and equipment	-	71,624	71,624
	5,488,822	1,761,442	7,250,264

Except for end of service benefits of AED 30,916 thousand *(31 December 2018: AED 31,600 thousand)*, the Group expects its liabilities of AED 5,593,755 thousand *(31 December 2018: AED 5,116,925 thousand)* to mature in less than twelve months from the reporting date.

7 Risk management *(continued)*

(iii) Financial risk management *(continued)*

Market risk

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

Management of market risk

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

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

Interest rate risk

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Group manages this risk principally through monitoring interest rate gaps and by matching the re-pricing profile of assets and liabilities.

The substantial portion of the Group's assets and liabilities are re-priced within one year. Accordingly, interest rate risk is limited to that extent.

The effective interest rate of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is an original effective interest rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating instrument or an instrument carried at fair value.

At the reporting date if the interest rates are 1% (100 basis point) higher/lower and all the other variables were held constant the Group's net profit would have increased/decreased by AED 1,383 thousand *(31 December 2018: AED 5,179 thousand)*.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the UAE Dirham.

The Group has considerable exposures denominated in US Dollar. As the AED Dirham is pegged to the US Dollar since November 1980 accordingly, the Group's exposure to currency risk is limited to that extent.

7 Risk management *(continued)*

(iii) Financial risk management *(continued)*

***Market risk** (continued)*

Equity price risk

Equity price risk arises from the change in fair value of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant:

For investments held at fair value through profit or loss

Fair value would have increased/decreased by AED 32,549 thousand *(31 December 2018: AED 27,022 thousand)*.

For investments held at fair value through other comprehensive income

Changes in revaluation reserves of shares would increase/decrease by AED 120,310 thousand *(31 December 2018: AED 113,597 thousand)* as a result of the changes in fair value of quoted shares.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, human error, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Board has oversight responsibilities for operational risk management in the Group. These responsibilities are exercised through the Risk Management Committee with an established framework of policies and procedures to identify, assess, monitor, control, manage and report risks. The Risk Management Committee employs clear internal policies and procedures to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance. The framework also provides the interrelation with other risk categories.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Audit as well as Compliance Departments. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

7 Risk management *(continued)*

(iv) Capital risk management

The Company'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 & Organisation of the Insurance Operations.

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

In UAE, all insurance companies are required to comply with Financial Regulations for Insurance Companies that came into force on 29 January 2015. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company 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 & Organisation 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.

	2019	2018
	AED'000	AED'000
Total capital held by the Company	**570,000**	375,000
Minimum regulatory capital	**100,000**	100,000

8 Fair value of financial instruments

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as 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.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

8 Fair value of financial instruments *(continued)*

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in the different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Assets measured at fair value – fair value hierarchy

The table below analyses assets 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:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2019				
Financial assets at fair value through profit or loss	**1,871**	**-**	**323,622**	**325,493**
Financial assets at fair value through OCI	**1,027,605**	**-**	**175,499**	**1,203,104**
	1,029,476	**-**	**499,121**	**1,528,597**
31 December 2018				
Financial assets at fair value through profit or loss	-	-	270,218	270,218
Financial assets at fair value through OCI	904,392	-	231,581	1,135,973
	904,392	-	501,799	1,406,191

Fair value of financial assets measured at amortised cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

8 Fair value of financial instruments *(continued)*

	Carrying Amount AED'000	Fair value AED'000
31 December 2019		
Financial assets at amortised cost	**800,872**	**822,750**
31 December 2018		
Financial assets at amortised cost	774,315	766,738

Movement in level 3 for investments carried at fair value through profit or loss and investments at fair value through OCI is as follows:

	2019 AED'000	2018 AED'000
Balance as at 1 January	**501,799**	421,522
Change in fair value	**(26,341)**	1,128
Additions	**105,855**	125,647
Transfers	**(18,275)**	-
Disposals	**(63,917)**	(46,498)
Balance at 31 December	**499,121**	501,799

During the year ended 31 December 2019, there were transfers from Level 3 to Level 1 of AED 18,275 thousand *(31 December 2018: AED Nil)*.

Sensitivity analysis for investments under level 3

For the fair values of contingent consideration and equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	Total comprehensive income Increase AED'000	Decrease AED'000
Equity securities		
31 December 2019		
Adjusted market multiple (5% movement)	**24,956**	**(24,956)**
31 December 2018		
Adjusted market multiple (5% movement)	25,090	(25,090)

9 Property and equipment

Property and equipment consist of the Group's building, furniture and fixtures, computer hardware, software, office equipment, motor vehicles and capital work in progress. Cost and accumulated depreciation accounts are aggregated as follows:

	Building	Furniture, fixtures and leasehold improvements	Computer hardware, software and office equipment	Motor vehicles	Right of use of leased assets	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost							
At 1 January 2018	24,547	40,508	81,168	232	-	2,166	148,621
Additions	213	1,874	8,993	-	-	4,101	15,181
Transfers	-	87	5,062	-	-	(5,149)	-
At 31 December 2018	24,760	42,469	95,223	232	-	1,118	163,802
At 1 January 2019	**24,760**	**42,469**	**95,223**	**232**	-	**1,118**	**163,802**
Additions	**730**	**1,868**	**2,644**	**46**	-	**4,659**	**9,947**
Deletions	-	**(1,742)**	**(8)**	**(52)**	-	-	**(1,802)**
Recognition of right-of-use on initial application of IFRS 16	-	-	-	-	**13,294**	-	**13,294**
Changes to right of use of leased assets	-	-	-	-	**(3,313)**	-	**(3,313)**
Transfers	-	**671**	**1,630**	-	-	**(2,301)**	-
At 31 December 2019	**25,490**	**43,266**	**99,489**	**226**	**9,981**	**3,476**	**181,928**
Accumulated depreciation:							
At 1 January 2018	8,204	36,875	33,547	130	-	-	78,756
Charge for the year	1,306	1,962	10,119	35	-	-	13,422
At 31 December 2018	9,510	38,837	43,666	165	-	-	92,178
At 1 January 2019	**9,510**	**38,837**	**43,666**	**165**	-	-	**92,178**
Charge for the year	**1,326**	**1,605**	**11,464**	**31**	**4,938**	-	**19,364**
Deletions	-	**(1,506)**	**(6)**	**(52)**	-	-	**(1,564)**
At 31 December 2019	**10,836**	**38,936**	**55,124**	**144**	**4,938**	-	**109,978**
Carrying amounts:							
At 31 December 2018	15,250	3,632	51,557	67	-	1,118	71,624
At 31 December 2019	**14,654**	**4,330**	**44,365**	**82**	**5,043**	**3,476**	**71,950**

10 Investments

	2019 AED'000	2018 AED'000
Financial assets at amortised cost	**800,872**	774,315
Financial assets at fair value through other comprehensive income	**1,203,104**	1,135,973
Financial assets at fair value through profit or loss	**325,493**	270,218
	2,329,469	2,180,506

Financial assets at amortised cost

The movement in investments at amortised cost during the year is as follows:

	2019 AED'000	2018 AED'000
At 1 January	**774,315**	616,853
Additions during the year	**149,850**	232,333
Disposals during the year	**(120,525)**	(71,564)
Impairment loss on debt securities at amortised cost	**(501)**	-
Amortisation expense	**(2,267)**	(3,307)
At 31 December	**800,872**	774,315

Financial assets at fair value through other comprehensive income

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

	2019 AED'000	2018 AED'000
At 1 January	**1,135,973**	1,123,113
Additions during the year	**536,110**	419,662
Disposals during the year	**(476,463)**	(399,525)
Net change in fair value	**7,484**	(7,277)
At 31 December	**1,203,104**	1,135,973

Financial assets at fair value through profit or loss

The movement in investments carried at fair value through profit or loss is as follows:

	2019 AED'000	2018 AED'000
At 1 January	**270,218**	205,399
Additions during the year	**105,924**	96,952
Disposals during the year	**(54,338)**	(25,173)
Net change in fair value *(note 23)*	**3,689**	(6,960)
At 31 December	**325,493**	270,218

10 Investments *(continued)*

Geographical concentration of investments is as follows:

	2019 AED'000	2018 AED'000
Within UAE	**1,382,786**	1,244,297
Outside UAE	**946,683**	936,209
	2,329,469	2,180,506

11 Investment properties

	Abu Dhabi Head Office Land and Building (i) AED'000	Al Ain Land and Building (ii) AED'000	Sharjah Land and Building (iii) AED'000	Al Raha Beach (Plot 406) and Building (iv) AED'000	Al Raha Beach (Plot 408) and Building (v) AED'000	Total AED'000
31 December 2019						
At 1 January 2019	**129,327**	**11,200**	**44,870**	**306,932**	**217,658**	**709,987**
Additions	**944**	**-**	**2,767**	**-**	**-**	**3,711**
(Decrease) / increase in fair values during the year *(note 23)*	**(1,933)**	**(358)**	**68**	**(4,065)**	**(4,383)**	**(10,671)**
At 31 December 2019	**128,338**	**10,842**	**47,705**	**302,867**	**213,275**	**703,027**
31 December 2018						
At 1 January 2018	135,189	11,909	46,800	315,927	231,200	741,025
Additions	1,409	-	-	-	-	1,409
Decrease in fair value during the year *(note 23)*	(7,271)	(709)	(1,930)	(8,995)	(13,542)	(32,447)
At 31 December 2018	129,327	11,200	44,870	306,932	217,658	709,987

(i) The construction of this building which is comprised of 14 floors was completed in 1980.

(ii) The construction of this six storey building was completed in 2003. The entire building is available for letting to third parties.

(iii) This 16 storey building was purchased during 1993. The entire building is available for letting to third parties.

(iv) In 2007, the Company purchased land at Al Raha Beach in Abu Dhabi City (Plot 406). The construction on plot no 406 was completed in 2013.

(v) In 2007, the Company purchased land at Al Raha Beach in Abu Dhabi City (Plot 408). The construction on plot no 408 was completed in 2015.

11 Investment properties *(continued)*

Measurement of fair value

In accordance with the requirements of the Insurance Authority Board Decision No. (25) of 2014, two independent real estate valuators performed the revaluation of the investment properties, with the average of the two being accounted for the purpose of financial reporting.

The fair value of investment properties is determined using market based approach, discounted cash flow (DCF) model and cap rate. The fair value of the investment properties were determined either (a) by an external, independent property valuer having appropriate recognised professional qualifications and recent experience in the locations and categories of the properties being valued (for DCF valuations) or (b) market based valuations.

Market based approach considers recent market transactions for similar assets or quotes / bid prices for same or similar assets.

DCF considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

The estimated fair value would increase / (decrease) if:

- expected market rental growth were higher / (lower);
- void periods were shorter / (longer);
- the occupancy rate were higher / (lower);
- rent-free periods were shorter (longer); or
- the risk-adjusted discount rate were lower (higher).

12 Cash and cash equivalents

	2019 AED'000	2018 AED'000
Cash on hand	**90**	87
Statutory deposits	**10,000**	10,000
Cash / call / current accounts with local banks, including deposits	**910,785**	844,548
Less: allowance for expected credit losses	**(510)**	-
Total bank balances and cash	**920,365**	854,635
Less: statutory deposits	**(10,000)**	(10,000)
Less: deposits with original maturities of three months or more	**(128,292)**	(507,866)
Bank balances and cash	**782,073**	336,769
Add: allowance for expected credit losses	**445**	-
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**782,518**	336,769

12 Cash and cash equivalents *(continued)*

Geographical concentration of cash and cash equivalents, statutory deposits and deposits with original maturities of three months or more, net of allowance of impairment is as follows:

	2019 AED'000	2018 AED'000
Within UAE	**901,153**	832,599
Outside UAE	**19,212**	22,036
	920,365	854,635

Interest rates on bank deposits range between 2.0% to 3.5% *(31 December 2018: 2.0% to 4.0%).*

In accordance with the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organisation of the Insurance Operations, the Group maintains a bank deposit of AED 10,000,000 *(31 December 2018: AED 10,000,000)* which cannot be utilised without the consent of the Chairman of the Insurance Authority's Board of Directors.

13 Insurance balances receivable, prepayments and other receivables

	2019 AED'000	2018 AED'000
Insurance balances receivable	**1,102,937**	1,034,907
Less: allowance for expected credit losses	**(140,167)**	(142,258)
Insurance balances receivable	**962,770**	892,649
Prepayments and other receivables:		
Deferred acquisition costs	**76,721**	81,669
Rental income receivables, net	**3,131**	41,643
Prepayments	**7,146**	40,271
Other receivables, net of expected credit losses	**25,662**	21,834
Prepayments and other receivables	**112,660**	185,417
Total insurance receivables, prepayments and other receivables	**1,075,430**	1,078,066

The average credit period on sale of services is 120 days. No interest is charged on insurance balances and other receivables. Insurance balances receivable are provided for, after considering claims payable to policyholders.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of insurance balances receivable, the Group considers any change in the credit quality of the insurance balances receivable from the date credit was initially granted up to the reporting date.

13 Insurance balances receivable, prepayments and other receivables *(continued)*

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

	2019 AED'000	2018 AED'000
Not due	**727,830**	656,572
Less than 30 days	**27,230**	65,711
30 - 90 days	**91,721**	56,397
91 - 180 days	**55,063**	100,433
More than 181 days	**60,926**	13,536
Insurance balances receivable	**962,770**	892,649

It is not the practice of the Group to obtain collateral over receivables and all of them are therefore, unsecured.

Movements in the allowance for expected credit losses of impairment of insurance balances and other receivables were as follows:

	2019 AED'000	2018 AED'000
At 1 January	**142,258**	141,095
Write-offs during the year	**(8,616)**	(1,864)
Charge for the year	**6,525**	3,027
At 31 December	**140,167**	142,258

Movement in deferred acquisition costs were as follows:

	2019 AED'000	2018 AED'000
At 1 January	**81,669**	80,937
Acquisition costs paid / payable during the year	**209,638**	194,090
Amortised during the year	**(214,586)**	(193,358)
At 31 December	**76,721**	81,669

14 Insurance contract liabilities and reinsurance contract assets

	2019 AED'000	2018 AED'000
Insurance contract liabilities		
Unearned premiums reserve (i)	**1,385,236**	1,284,135
Outstanding claims reserve (ii)	**2,428,911**	2,136,741
Claims incurred but not reported reserve	**437,454**	537,214
	4,251,601	3,958,090

14 Insurance contract liabilities and reinsurance contract assets *(continued)*

	2019 AED'000	2018 AED'000
Re-insurance contract assets		
Unearned premiums reserve	**926,667**	739,584
Outstanding claims reserve	**1,634,783**	1,296,925
Claims incurred but not reported reserve	**259,317**	318,937
	2,820,767	2,355,446
Insurance contract liabilities - net		
Unearned premiums reserve (i)	**458,569**	544,551
Outstanding claims reserve (ii)	**794,128**	839,816
Claims incurred but not reported reserve	**178,137**	218,277
	1,430,834	1,602,644

(i) Unearned premiums reserve includes:

	2019 AED'000	2018 AED'000
Premiums deficiency reserve - *gross*	**110,097**	83,800
Premiums deficiency reserve - *net*	**29,831**	25,400
Unexpired risk reserve - *gross*	**40,860**	46,438
Unexpired risk reserve - *net*	**13,080**	18,809

(ii) Outstanding claims reserve includes allocated and unallocated loss adjustment expenses reserve of AED 35.7 million *(31 December 2018: AED 46.2 million).*

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

Incurred but not reported (IBNR) reserve along with reserves for incurred but not enough reported (IBNER) and allocated and unallocated loss adjustment expenses reserves (ALAE/ULAE) are calculated by external actuaries using a selection of actuarial methods. The analysis is segmented by line of business to provide enough credible and homogeneous claims data and different (selection of) methods are used to take into account different claim development trends for each line of business. IBNR (and IBNER) and ALAE / ULAE are calculated both gross and net of reinsurance using actual reinsurance data to ensure the correct impact of reinsurance is reflected in the reserves.

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

14 Insurance contract liabilities and reinsurance contract assets *(continued)*

Movement in the insurance contract liabilities and reinsurance contract assets during the year was as follows:

	2019			2018		
	Gross AED'000	**Re-Insurance AED'000**	**Net AED'000**	Gross AED'000	Re-Insurance AED'000	Net AED'000
Claims:						
Outstanding claims	**2,136,741**	**1,296,925**	**839,816**	2,051,446	1,295,990	755,456
Incurred but not reported	**537,214**	**318,937**	**218,277**	540,000	307,500	232,500
Total at 1 January	**2,673,955**	**1,615,862**	**1,058,093**	2,591,446	1,603,490	987,956
Claims settled	**(1,909,469)**	**(882,458)**	**(1,027,011)**	(1,716,488)	(758,439)	(958,049)
Increase in liabilities	**2,101,879**	**1,160,696**	**941,183**	1,798,997	770,811	1,028,186
Total at 31 December	**2,866,365**	**1,894,100**	**972,265**	2,673,955	1,615,862	1,058,093
Outstanding claims	**2,428,911**	**1,634,783**	**794,128**	2,136,741	1,296,925	839,816
Incurred but not reported	**437,454**	**259,317**	**178,137**	537,214	318,937	218,277
Total at 31 December	**2,866,365**	**1,894,100**	**972,265**	2,673,955	1,615,862	1,058,093
Unearned premium:						
Total at 1 January	**1,200,335**	**681,184**	**519,151**	1,178,173	579,233	598,940
Increase during the year	**3,755,680**	**2,550,674**	**1,205,006**	2,909,471	1,567,247	1,342,224
Release during the year	**(3,680,876)**	**(2,385,457)**	**(1,295,419)**	(2,887,309)	(1,465,296)	(1,422,013)
Net increase / (decrease) during the year	**74,804**	**165,217**	**(90,413)**	22,162	101,951	(79,789)
Total at 31 December	**1,275,139**	**846,401**	**428,738**	1,200,335	681,184	519,151
Provision for Premium Deficiency Reserve:						
Total at 1 January	**83,800**	**58,400**	**25,400**	112,800	79,100	33,700
Net increase / (decrease) during the year	**26,297**	**21,866**	**4,431**	(29,000)	(20,700)	(8,300)
Total at 31 December	**110,097**	**80,266**	**29,831**	83,800	58,400	25,400
Grand total	**4,251,601**	**2,820,767**	**1,430,834**	3,958,090	2,355,446	1,602,644

15 Statutory deposits

In accordance with the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organisation of the Insurance Operations, the Group maintains a bank deposit of AED 10,000,000 *(31 December 2018: AED 10,000,000)* which cannot be utilised without the consent of the Chairman of the Insurance Authority's Board of Directors.

16 Share capital

	2019 AED'000	2018 AED'000
Authorised		
570,000,000 ordinary shares of AED 1 each (31 December 2018: 375,000,000 ordinary shares of AED 1 each)	**570,000**	375,000
Issued and fully paid		
570,000,000 ordinary shares of AED 1 each (31 December 2018: 375,000,000 ordinary shares of AED 1 each)	**570,000**	375,000

17 Legal reserve

In accordance with the Federal Law No. (2) of 2015 Concerning the Commercial Companies and the Company's Articles of Association, 10% of net profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for any distribution to the shareholders.

18 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors and the approval of the General Assembly. This reserve may be used for such purposes as the Directors deem fit. During the year, the Board of Directors proposed a transfer of AED 150,000 thousand *(31 December 2018: AED 100,000 thousand)* from retained earnings to general reserve, which was approved in the Annual General Assembly held on 19 March 2019 *(31 December 2018: 19 March 2018)*.

19 Retained earnings

The Board of Directors propose, subject to the approval of the Annual Ordinary General Assembly, a cash dividend in respect of the year 2019 of AED 0.30 per share.

At the Annual General Assembly held on 19 March 2019 *(2018: 19 March 2018 relating to the results of the year ended 31 December 2017)*, the Shareholders approved the distribution of cash dividends relating to the results of 2018 of AED 0.30 per share amounting to AED 112,500 thousand *(31 December 2018: AED 0.25 per share amounting to AED 93,750 thousand)*.

At the Annual General Assembly held on 19 March 2019, the Shareholders approved the board of directors' remuneration relating to the results of 2018 amounting to AED 5,800 thousand *(31 December 2018: AED 5,800 thousand relating to the results of the year ended 31 December 2017)*.

The Board of Directors proposed a transfer of AED 150,000 thousand *(31 December 2018: AED 100,000 thousand)* from retained earnings to general reserve, which was approved in the Annual General Assembly held on 19 March 2019.

20 Mandatory convertible bonds

During 2016, the Company issued mandatory convertible bonds with a nominal value amounting to AED 390,000 thousand that were convertible into new ordinary shares at the end of the third year from the date of issue being 15 June 2016 at the rate of AED 2 per share. The proceeds received from the issuance of mandatory convertible bonds have been split between a liability component arising from present value of contractual interest payments and an equity component, representing the residual value attributable to the future delivery of the ordinary shares of the Company. The bonds were bearing interest at a fixed rate of 7.5% per annum, payable annually in arrears, commencing on 15 June 2017 until the conversion date in the current period. On 15 June 2019, these mandatory convertible bonds were converted to 195,000 thousand ordinary shares as per the conversion price of AED 2. Consequently, the current share capital of the Company increased from AED 375,000 thousand to AED 570,000 thousand. A reconciliation between the amounts presented in the consolidated statement of financial position is as follows:

	Liability component AED '000	**Equity component AED '000**	**Share capital AED '000**	**Share premium AED '000**
Balance at 1 January 2019	**27,960**	**305,925**	**375,000**	**-**
Accretion expense	**1,290**	**-**	**-**	**-**
Interest paid	**(29,250)**	**-**	**-**	**-**
Conversion of mandatory convertible bonds	**-**	**(305,925)**	**195,000**	**110,925**
Balance at 31 December 2019	**-**	**-**	**570,000**	**110,925**

Amortisation of transaction cost during the year amounts AED 83 thousand *(31 December 2018: AED 183 thousand).*

	Liability component AED '000	Equity component AED '000	Share capital AED '000	Share premium AED '000
Balance at 1 January 2018	54,788	305,925	375,000	-
Accretion expense	2,422	-	-	-
Interest paid	(29,250)	-	-	-
Balance at 31 December 2018	27,960	305,925	375,000	-

21 Employees' end of service benefits

	2019 AED'000	2018 AED'000
At 1 January	**31,600**	30,919
Charge for the year	**4,517**	4,200
Paid during the year	**(5,201)**	(3,519)
At 31 December	**30,916**	31,600

22 Accounts and other payables

	2019 AED'000	2018 AED'000
Accounts payable	**1,128,766**	819,743
Other payables:		
Accrued expenses	**48,994**	41,552
Deferred commission income	**87,205**	83,618
Deferred income	**8,800**	51,072
Other payables	**68,389**	134,890
Total other payables	**213,388**	311,132
Total accounts and other payables	**1,342,154**	1,130,875

23 Net investments and other income

	2019 AED'000	2018 AED'000
Income from investment properties (rental income), net (i)	**31,882**	37,157
Dividend income	**79,024**	65,951
Net interest income on bank deposits and bonds	**48,820**	41,294
Changes in fair value of financial assets at fair value through profit or loss	**3,689**	(6,960)
Gain on sale of financial assets at fair value through profit or loss	**-**	38
Gain on sale of financial assets at amortised cost	**-**	143
Decrease in in fair value of investment properties *(note 11)*	**(10,671)**	(32,447)
Charge for impairment losses on financial assets	**(1,891)**	-
Other expenses, net	**(8,637)**	(9,298)
Income from investments, net	**110,334**	58,721
	142,216	95,878

(i) Repair and maintenance on properties amounts to AED 8.3 million (31 December 2018: AED 6.3 million)

24 General and administrative expenses

	2019 AED'000	2018 AED'000
Salaries and other benefits	**166,214**	165,157
Depreciation charge *(note 9)*	**19,364**	13,422
Directors remuneration	**5,800**	-
Advertisement	**3,536**	4,462
Social contribution *(note 29)*	**1,427**	1,177
Rent expense	**4,777**	5,713
Communication and office supplies	**5,991**	6,206
Charge for impairment losses on financial assets	**236**	-
Other expenses	**37,243**	30,568
	244,588	226,705

25 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year.

	2019 AED'000	2018 AED'000
Profit for the year	**284,250**	235,644
Accretion recognised during the year on mandatory convertible bonds	**1,290**	2,422
Profit for the year used for calculating basic and diluted earnings per share	**285,540**	238,066
Ordinary shares outstanding during the year	**570,000**	375,000
Effect of conversion of mandatory convertible bonds	-	195,000
Weighted average number of ordinary shares adjusted for the effect of mandatory convertible bonds used for calculating basic and diluted earnings per share	**570,000**	570,000
Basic and diluted earnings per share (AED)	**0.50**	0.42

26 Related parties

Identity of related parties

Related parties comprise major shareholders, associated companies, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Government of Abu Dhabi holds 24 percent shareholding in the Group through Abu Dhabi Investment Council.

Pricing policies and terms of these transactions are approved by management. The Group maintains significant balances with these related parties, which arise from commercial transactions as follows:

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

	31 December 2019			
	Directors and key management AED'000	**Major shareholder AED'000**	**Others AED'000**	**Total AED'000**
Insurance balances receivable, prepayments and other receivables	**1,588**	**2**	**143,799**	**145,389**
Accounts payables	**316**	-	**11,031**	**11,347**
Cash and bank balances	-	-	**127,087**	**127,087**
Investments	-	-	**417,847**	**417,847**
Statutory deposits	-	-	**10,000**	**10,000**
Insurance contract liabilities	**103**	**70**	**1,014,827**	**1,015,000**

26 Related parties *(continued)*

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

Others comprise of companies controlled by directors of the Group and major shareholders.

	31 December 2018			
	Directors and key management AED'000	Major shareholders AED'000	Others AED'000	Total AED'000
Insurance balances receivable, prepayments and other receivables	285	-	163,799	164,084
Accounts payables	18	72	24,198	24,288
Cash and bank balances	-	-	515,751	515,751
Investments	-	-	353,104	353,104
Statutory deposits	-	-	10,000	10,000
Insurance contract liabilities	18	1,426	341,262	342,706

Contingent liabilities issued in favor of related parties as at 31 December 2019 amounted to AED 96,237 thousand *(31 December 2018: AED 69,956 thousand).*

Transactions with related parties during the year are as follows:

	31 December 2019			
	Directors and key management AED'000	**Major shareholders AED'000**	**Others AED'000**	**Total AED'000**
Premiums written	**202**	**164**	**979,933**	**980,299**
Claims incurred	**8**	**26**	**395,665**	**395,699**
Dividend income	-	-	**8,508**	**8,508**
Interest income	-	-	**20,796**	**20,796**
Directors remuneration	**(5,800)**	-	-	**(5,800)**
Other investment income	-	-	**179**	**179**

26 Related parties *(continued)*

Transactions with related parties during the year are as follows: (continued)

	31 December 2018			
	Directors and key management AED'000	Major shareholders AED'000	Others AED'000	Total AED'000
Premiums written	45	3,361	346,371	349,777
Claims incurred	-	3,950	135,285	139,235
Dividend income	-	-	6,991	6,991
Interest income	-	-	15,972	15,972
Directors remuneration	(5,800)	-	-	(5,800)
Other investment income	-	-	191	191

Compensation of key management personnel is as follows:

	2019 AED'000	2018 AED'000
Salaries and short-term benefits	**17,441**	15,275
Staff end of service benefits	**684**	739
	18,125	16,014

Abu Dhabi National Insurance Company PJSC and its subsidiary

Notes to the consolidated financial statements

27 Segment information

The Group is organised into two main business segments:

Underwriting of commercial lines of business – incorporating all classes of general insurance including marine cargo, marine hull, aviation, energy, property and engineering; and

Underwriting of consumer line of business – incorporating all classes of insurance including accident, motor and medical.

	Year ended 31 December					
	Commercial		Consumer		Total	
	2019	2018	**2019**	2018	**2019**	2018
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Gross written premiums	**2,144,769**	1,473,533	**1,610,911**	1,435,938	**3,755,680**	2,909,471
Less: reinsurance share of gross written premiums	**(1,807,989)**	(1,142,232)	**(742,685)**	(425,015)	**(2,550,674)**	(1,567,247)
Net premiums written	**336,780**	331,301	**868,226**	1,010,923	**1,205,006**	1,342,224
Net change in unearned premiums reserves	**21,952**	49,475	**64,031**	38,614	**85,983**	88,089
Net premiums earned	**358,732**	380,776	**932,257**	1,049,537	**1,290,989**	1,430,313
Gross claims paid	**(639,882)**	(709,636)	**(1,269,587)**	(1,006,852)	**(1,909,469)**	(1,716,488)
Less: reinsurance share of claims paid	**440,600**	500,024	**441,858**	258,415	**882,458**	758,439
Net claims paid	**(199,282)**	(209,612)	**(827,729)**	(748,437)	**(1,027,011)**	(958,049)
Net change in outstanding claims and incurred but not reported claims reserves	**17,033**	(7,627)	**68,794**	(62,510)	**85,827**	(70,137)
Net claims incurred	**(182,249)**	(217,239)	**(758,935)**	(810,947)	**(941,184)**	(1,028,186)
Commission earned	**149,130**	105,113	**90,330**	45,800	**239,460**	150,913
Commission incurred	**(104,588)**	(100,932)	**(49,613)**	(43,342)	**(154,201)**	(144,274)
Net commissions income	**44,542**	4,181	**40,717**	2,458	**85,259**	6,639
Other underwriting income	**13,124**	5,899	**5,344**	3,917	**18,468**	9,816
Other underwriting expenses	**(19,133)**	(16,296)	**(41,252)**	(32,788)	**(60,385)**	(49,084)
Net other underwriting expense	**(6,009)**	(10,397)	**(35,908)**	(28,871)	**(41,917)**	(39,268)
Net underwriting income	**215,016**	157,321	**178,131**	212,177	**393,147**	369,498
Net investments and other income					**142,216**	95,878
General and administrative expenses					**(251,113)**	(229,732)
Profit for the year					**284,250**	235,644

Details of segment assets and liabilities as at 31 December 2019 is presented below:

	Commercial AED'000	Consumer AED'000	Investments AED'000	Total AED'000
Segment assets	3,133,873	818,287	3,968,848	7,921,008
Segment liabilities	4,283,391	1,325,205	16,075	5,624,671

27 Segment information *(continued)*

Details of segment assets and liabilities as at 31 December 2018 is presented below:

	Commercial AED'000	Consumer AED'000	Investments AED'000	Total AED'000
Segment assets	2,683,300	768,267	3,798,697	7,250,264
Segment liabilities	3,696,557	1,394,696	57,272	5,148,525

28 Contingent liabilities and commitments

	2019 AED'000	2018 AED'000
Commitments in respect of uncalled subscription of equities held as investments	**64,600**	99,118
Bank guarantees	**218,602**	160,139
Letters of credit	**384**	386

The above bank guarantees and letters of credit were issued in the normal course of business.

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of the business. Management, based on advice from independent loss adjusters, internal and external legal counsels, makes provision, where applicable, representing amounts expected to result in a probable outflow of economic resources.

29 Social Contributions

The social contributions (including donations and charity) made during the year amount to AED 1,427 thousand *(31 December 2018: 1,177 thousand) (note 24).*