

**Dubai Insurance Company
and its subsidiary
(Public Shareholding Company)**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DUBAI INSURANCE COMPANY (P.S.C.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dubai Insurance Company (P.S.C.) (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of 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 the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements, 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 the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
DUBAI INSURANCE COMPANY (P.S.C.) (continued)**

Key Audit Matters (continued)

Key Audit Matter	How the Matter Was Addressed in the Audit
<p><i>Valuation of insurance contract liabilities and reinsurance assets (refer to note 23 of the consolidated financial statements)</i></p> <p>We focused on these balances because of the complexity involved in the estimation process, and the significant judgements that management make in determining the appropriateness and adequacy of the liability. The liabilities which includes claims reported and not settled, incurred but not reported, unexpired risk reserve and mathematical reserve are based on a best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>Reinsurance assets are recognised when the related gross insurance liability is recognised according to the terms of the relevant reinsurance contracts and their recoverability is subject to the probability of default and probable losses in the event of default by respective reinsurance counterparties.</p> <p>Note 23 to the consolidated financial statements describes the elements that make up the insurance contract liabilities and reinsurance assets balance.</p>	<p>The work that we performed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> • The evaluation and testing of key controls around the claims handling and reserve setting processes of the Company along with the recognition and release of reinsurance assets. We examined evidence of the operation of controls over the valuation of individual claims reserves, such as large loss review controls and internal peer reviews (whereby reviewers examine documentation supporting claims reserves and consider if the amount recorded in the consolidated financial statements is valued appropriately). • We checked samples of claims reserves and the respective share of reinsurance assets, through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters and where relevant inspection of the Company's correspondence with lawyers and reinsurers where the claims are under investigation. • We reviewed management's reconciliation of the underlying company data recorded in the policy administration systems with the data used in the actuarial reserving calculations. • We tied the insurance contract liabilities and reinsurance assets as recommended by the Company's actuary to the liabilities and assets in the consolidated financial statements. • We assessed the experience and competency of the Group's actuary to perform the year end valuation. • We involved our actuarial specialist team members, to apply industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices. • We obtained the reinsurance treaty summary for the year and verified the details in the summary to the respective agreements. • We reviewed the ratios of reinsurance assets to related insurance contract liabilities to identify any variance from reinsurance treaty arrangements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
DUBAI INSURANCE COMPANY (P.S.C.) (continued)**

Key Audit Matters (continued)

<i>Key audit matter</i>	How the Matter Was Addressed in the Audit
<p><i>Classification of freehold land</i> <i>(refer to note 9 of the consolidated financial statements)</i></p> <p>Included in property and equipment is the amount of AED 44,173 thousand (2017: AED 44,173 thousand) paid for the purchase of land. The Board of Directors of the Group has passed resolutions to construct the Group's head-office on the land in the foreseeable future. The amount paid for the purchase of land is carried at cost, but is subject to consideration for impairment when indicators of impairment exist. As a consequence, for impairment consideration on this asset, the Company is the lowest level of cash generating unit and hence the asset is not assessed for impairment as a standalone asset.</p>	<p>The work that we performed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> • We discussed with management the status of the proposed construction and noted that no date has been set for construction to commence. • We inspected the resolution for Board approval for the property to be used as the Group's head-office. • We reviewed the Company's business performance and forecasts for existence of indicators of impairment at the Company level.
<p><i>Revenue recognition</i> <i>(refer to note 3 of the consolidated financial statements)</i></p> <p>Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period, and are recognised on the date on which the policy commences. At the end of each year, a proportion of the written premiums of the general insurance, medical and group life business is provided for to cover portions of risk which have not expired at the reporting date. The reserves are required to be calculated in accordance with the requirements of the Insurance Law relating to insurance companies.</p>	<p>The work that we performed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> • We assessed whether the Group's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the premiums on insurance policies are accounted for on the date of inception of policies, by testing a sample of revenue items to insurance contracts, with a specific focus on transactions which occurred near 31 December 2018. • We evaluated the relevant IT systems and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period. • We compared the unearned premiums reserve balance as per the consolidated financial statements to the reserve balance computed by the Group's actuary. • We recalculated the unearned premium reserve based on the earning period of insurance contracts existing as of 31 December 2018. • We also tested a risk based sample of journal entries posted to revenue accounts to identify any unusual or irregular items, and we tested the reconciliations between the policy master file and its financial ledgers.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
DUBAI INSURANCE COMPANY (P.S.C.) (continued)**

Key Audit Matters (continued)

<i>Key audit matter</i>	How the Matter Was Addressed in the Audit
<i>Impairment losses on insurance receivables including third party recoveries</i> <i>(refer to note 14 of the consolidated financial statements)</i>	
<p>The Company has insurance receivables that are overdue and not impaired (as disclosed in note 14 to the consolidated financial statements). The key associated risk is the recoverability of receivables. Management's related provision is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.</p>	<p>The work that we performed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> • We compared the historical provision for bad debts to the actual amounts written off, to determine whether management's estimation techniques were reasonable. • We considered the adequacy of provisions for bad debts for significant customers, taking into account specific credit risk assessments for each customer based on time past due, the existence of any disputes over the balance outstanding, the history of settlement of receivables and the existence of any liabilities with the same counterparties which reduce the net exposure. • We discussed with management and reviewed correspondence, where relevant, to identify any disputes and assessed whether appropriately considered in the bad debt provision.
<i>Valuation of unquoted investments</i> <i>(refer to note 12 of the consolidated financial statements)</i>	
<p>Given the ongoing market volatility and macroeconomic uncertainty, investment valuation continues to be an area of inherent risk. The risk is not uniform for all investment types, and is greatest where the investments are hard to value because quoted prices are not readily available.</p>	<p>The work that we performed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> • Evaluated the methodology, assumptions and discounted cash flows used within the valuation models. Where the value of unquoted investments is supported by investee Company's insurance of underlying assets, we considered the recoverability of relevant insurance contracts. • We compared the valuation to the latest available audited financial statements, where appropriate.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
DUBAI INSURANCE COMPANY (P.S.C.) (continued)**

Key Audit Matters (continued)

<i>Key audit matter</i>	<i>How the Matter Was Addressed in the Audit</i>
<i>Restatement of previous year consolidated financial statements</i> <i>(refer to note 2.3 of the consolidated financial statements)</i>	
<p>The Group has voluntarily implemented the below mentioned changes in accounting policies from 1 January 2018.</p> <p><i>Deferred Acquisition Cost</i> Those direct costs incurred during the financial year arising from acquiring or renewing of insurance contracts for the medical segment, are deferred to the extent that these costs are recoverable out of future premiums from insurance contracts. All other acquisition costs are recognised as an expense during the year.</p> <p>The result of the adoption of the above accounting policy has resulted in a change in the accounting policy for unearned premium reserve as follows:</p> <p><i>Unearned premium reserve</i> The calculation for unearned premium reserve for medical business is changed from being based on risk premium to gross premium.</p> <p>The change in accounting policy has been retrospectively applied as required by IAS 8.</p>	<p>The work that we performed to address this key audit matter included the following procedures:</p> <ul style="list-style-type: none"> • We reviewed management's restatements working and computations and compared the balances to the consolidated financial statements. • We tied the technical reserves balances disclosed in the consolidated financial statements with the Company's actuary report. • We involved our actuarial specialist team members, to apply industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices. • We recalculated the medical unearned premium reserve based on the revised method adopted by management and as per the earning period of insurance contracts existing as of 31 December 2018.

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of Group's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2018 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DUBAI INSURANCE COMPANY (P.S.C.) (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Company's Articles of Association and of the UAE Federal Law No. (2) of 2015 and the UAE Federal Law No. (6) of 2007 and for such internal control as management determines is necessary to enable the preparation of 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DUBAI INSURANCE COMPANY (P.S.C.) (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (2) of 2015;
- iv) the consolidated financial information included in the Directors' report is consistent with the books of account and records of the Group;
- v) investments in shares and stocks during the year ended 31 December 2018, are disclosed in note 12 to the consolidated financial statements
- vi) note 25 and 26 reflect material related party transactions and the terms under which they were conducted;



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
DUBAI INSURANCE COMPANY (P.S.C.) (continued)**

Report on other legal and regulatory requirements (continued)

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association which would have a material impact on its activities or its consolidated financial position; and

viii) note 7 to the consolidated financial statements reflects the social contributions made during the year.

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

For Ernst & Young

Signed by:
Thodla Hari Gopal
Partner
Registration number: 689

10 February 2019

Dubai, United Arab Emirates

Dubai Insurance Company (P.S.C.) and its subsidiary

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	<i>Notes</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i> <i>Restated*</i>
UNDERWRITING INCOME			
Gross premium	3	531,883	476,394
Movement in provision for unearned premium	3	(79,550)	(27,512)
Insurance premium revenue	3	452,333	448,882
Reinsurance share of premium	3	(418,123)	(338,476)
Movement in provision for reinsurance share of unearned premium	3	93,987	15,636
	3	(324,136)	(322,840)
Net insurance premium revenue	3	128,197	126,042
Reinsurance commission income		44,510	36,980
Other income		122	138
Total underwriting income		172,829	163,160
UNDERWRITING EXPENSES			
Claims incurred	4	348,901	396,123
Reinsurers' share of claims incurred	4	(286,340)	(335,059)
Net claims incurred	4	62,561	61,064
Commission expenses		31,264	34,976
Excess of loss reinsurance premium		1,291	1,913
Other direct expenses (include TPA fees)		12,573	16,216
General and administration expenses relating to underwriting activities		21,905	21,339
Total underwriting expenses		129,594	135,508
NET UNDERWRITING INCOME		43,235	27,652
INVESTMENT INCOME			
Realised gain/ (loss) on disposal of investments		166	(15)
Fair value (loss)/ gain on financial assets at fair value through profit or loss		(371)	188
Other investment income	6	16,584	18,197
Other investment costs		(931)	(1,168)
		15,448	17,202
OTHER INCOME AND EXPENSES			
General and administration expenses not allocated		(8,173)	(7,460)
Other (expenses)/ income		(3)	122
		(8,176)	(7,338)
PROFIT FOR THE YEAR	7	50,507	37,516
Basic and diluted earnings per share (AED)	8	0.47	0.36

*31 December 2017 has been restated as explained in note 2.3 of these consolidated financial statements.

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<i>Note</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i> <i>Restated*</i>
Profit for the year		50,507	37,516
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that could not be reclassified to profit or loss in subsequent periods</i>			
Net unrealised loss on financial assets at fair value through other comprehensive income	12 (b)	(6,293)	(21,435)
Other comprehensive loss for the year		(6,293)	(21,435)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		44,214	16,081

*31 December 2017 has been restated as explained in note 2.3 of these consolidated financial statements.

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.


Dubai Insurance Company (P.S.C.) and its subsidiary

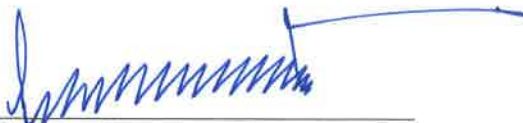
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Notes</i>	<i>2018 AED'000</i>	<i>2017 AED'000 Restated*</i>
ASSETS			
Property and equipment	9	47,189	46,681
Investment property	10	20,032	1,670
Advance for investment properties	11	14,154	21,258
Financial instruments	12	400,826	463,062
Reinsurance assets	23	478,625	421,977
Insurance receivables	14	247,737	175,536
Prepayments and other receivables	15	31,113	18,188
Statutory deposits	16	10,000	10,000
Cash and cash equivalents	17	77,385	28,068
TOTAL ASSETS		1,327,061	1,186,440
EQUITY AND LIABILITIES			
Equity			
Share capital	18	100,000	100,000
Statutory reserve	19	50,000	50,000
General reserve	19	13,000	13,000
Retained earnings		159,978	137,683
Cumulative changes in fair value of investments	19	163,068	169,361
Total equity		486,046	470,044
Liabilities			
Bank loan	21	10,845	44,456
Employees' end of service benefits	22	3,837	3,503
Insurance contract liabilities	23	550,919	518,643
Amounts held under reinsurance treaties		40,016	30,681
Reinsurance balances payable	24a	150,524	75,141
Insurance and other payables	24b	84,874	43,972
Total liabilities		841,015	716,396
TOTAL EQUITY AND LIABILITIES		1,327,061	1,186,440

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 10 February 2019.


 Buti Obaid Almulla
 Chairman


 Mohammad Ahmad Abdulla AlMoosa
 Director

*31 December 2017 has been restated as explained in note 2.3 of these consolidated financial statements.

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Retained earnings AED '000	Cumulative changes in fair value of investments AED '000	Total AED '000
Balance at 1 January 2018	100,000	50,000	13,000	137,683	169,361	470,044
Profit for the year	-	-	-	50,507	-	50,507
Other comprehensive income	-	-	-	-	(6,293)	(6,293)
Total comprehensive income for the year	-	-	-	50,507	(6,293)	44,214
Directors' fees (note 26)	-	-	-	(3,212)	-	(3,212)
Cash dividend paid (note 20)	-	-	-	(25,000)	-	(25,000)
Balance at 31 December 2018	100,000	50,000	13,000	159,978	163,068	486,046
Balance at 1 January 2017 (as previously reported)	100,000	50,000	13,000	130,811	190,796	484,607
Effect of adoption of new accounting standards (note 2.3)	-	-	-	(3,888)	-	(3,888)
As at 1 January 2017 (restated)	100,000	50,000	13,000	126,923	190,796	480,719
Profit for the year (restated)	-	-	-	37,516	-	37,516
Other comprehensive income	-	-	-	-	(21,435)	(21,435)
Total comprehensive income for the year (restated)	-	-	-	37,516	(21,435)	16,081
Directors' fees (note 26)	-	-	-	(1,756)	-	(1,756)
Cash dividend paid (note 20)	-	-	-	(25,000)	-	(25,000)
Balance at 31 December 2017 (restated)	100,000	50,000	13,000	137,683	169,361	470,044

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	<i>Notes</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i> <i>Restated*</i>
OPERATING ACTIVITIES			
Profit for the year		50,507	37,516
Adjustments for:			
Depreciation on property and equipment	9	1,315	1,763
Provision for employees' end of service benefits	22	518	622
(Gain)/ loss on sale of investments		(166)	15
		52,174	39,916
Changes in operating assets and liabilities:			
Reinsurance assets		(56,648)	(9,857)
Insurance receivables		(72,201)	(35,582)
Prepayments and other assets		(12,925)	(5,856)
Insurance contract liabilities		32,276	35,816
Amounts held under reinsurance treaties		9,335	(639)
Reinsurance balances payable		75,383	11,558
Insurance and other payables		40,902	(9,718)
Cash generated from operations		68,296	25,638
Employees' end of service benefits paid	22	(184)	(106)
Net cash generated from operating activities		68,112	25,532
INVESTING ACTIVITIES			
Investments held at amortised cost		46,393	(3,099)
Financial instruments at fair value through other comprehensive income		(5,969)	(5,456)
Financial instruments at fair value through profit or loss		15,685	19,339
Advance for investment property		(11,258)	(13,696)
Purchase of property and equipment	9	(1,823)	(1,402)
Net cash generated from /(used in) investing activities		43,028	(4,314)
FINANCING ACTIVITIES			
Dividends paid		(25,000)	(25,000)
Bank loan		(33,611)	1,295
Directors' fees		(3,212)	(1,756)
Net cash used in financing activities		(61,823)	(25,461)
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		49,317	(4,243)
Cash and cash equivalents at 1 January		28,068	32,311
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17	77,385	28,068

*31 December 2017 has been restated as explained in note 2.3 of these consolidated financial statements.

The attached explanatory notes 1 to 28 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

1 CORPORATE INFORMATION

Dubai Insurance Company (P.S.C.) (the "Company") is a public shareholding Company registered under the UAE Federal Law No. (2) of 2015 and the UAE Federal Law No. (6) of 2007 relating to commercial companies in the UAE. The Company mainly issues short term insurance contracts in connection with motor, marine, fire, engineering and general accident (collectively known as general insurance) and group life and medical risks (collectively referred to as medical and life assurance). The Company also invests its funds in investment securities and properties. The registered address of the Company is P.O. Box 3027, Dubai, United Arab Emirates. The Company operates in the United Arab Emirates and most of the insurance policies are issued in the United Arab Emirates. The shares of the Company are listed on the Dubai Financial Market.

During 2011, the Company established a new subsidiary for investment purposes. These consolidated financial statements incorporate the financial statements of the Company and its subsidiary (collectively referred to as the "Group").

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets carried at fair value. The consolidated financial statements have been presented in UAE Dirhams and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

The Group presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and applicable requirements of United Arab Emirates Laws.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise those of Dubai Insurance Company (P.S.C.) ("parent company") and its subsidiary (collectively the "Group"). The consolidated financial statements incorporate the financial statements of the Company and its subsidiary for the year ended 31 December each year.

A subsidiary is an entity over which the Group has all of the following:

- (a) power over the investee - the Group has existing rights that give it the current ability to direct the activities that significantly affect the investee's returns;
- (b) exposure, or rights, to variable returns from its involvement with the subsidiary; and,
- (c) the ability to use its power over the investee to affect the amount of the Group's returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement(s) with other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and,
- (c) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The extent of Group's shareholding in and the principal activities of the subsidiary is as follows:

<u>Subsidiary</u>	<u>Principal Activity</u>	<u>Country of incorporation</u>	<u>Ownership</u>
Vattaun Limited	Investment	British Virgin Island	100%

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations effective after 1 January 2018

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group has voluntarily implemented the below mentioned changes in accounting policies from 1 January 2018.

Deferred Acquisition Cost

Those direct costs incurred during the financial year arising from acquiring or renewing of insurance contracts for the medical segment, are deferred to the extent that these costs are recoverable out of future premiums from insurance contracts. All other acquisition costs are recognised as an expense during the year.

Subsequent to initial recognition, this DAC asset for insurance contracts is amortised over the period in which the related revenues are earned.

The result of the adoption of the above accounting policy has resulted in a change in accounting policy for unearned premium reserve as follows:

Unearned premium reserve

The calculation for unearned premium reserve for medical business is changed from being based on risk premium to gross premium.

The change in accounting policy has been retrospectively applied as required by IAS 8 and as a result of the change, profit for the year is increased by AED 2,312 thousand, earning per share is increased by AED 0.023, prepayments and other receivables are higher by AED 4,881 thousand, unearned premium reserve included under insurance contract liabilities is higher by AED 7,437 thousand, additional reserve included under insurance contract liabilities is lower by AED 6,200 thousand, unexpired risk reserve included under insurance contract liabilities is higher by AED 6,200 thousand, commission expense is lower by AED 1,221 thousand and movement in provision for unearned premium is lower by AED 1,091 thousand. The effect of adopting the new accounting policy on the previous year is, as follows:

Impact on consolidated statement of income statement

		31 December 2017		
	<i>Adjustments</i>	<i>As previously reported</i>	<i>Restated</i>	<i>Net movement</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Movement in provision for unearned premium	(b)	(25,855)	(27,512)	(1,657)
Commission expenses	(a)	(35,653)	(34,976)	677
Profit/ (loss) for the year				(980)
Basic and diluted earnings per share (AED)	(a), (b)			(0.0098)

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New standards and interpretations effective after 1 January 2018 (continued)

Impact on consolidated statement of financial position

		<i>1 January 2017</i>		
	<i>Adjustments</i>	<i>As previously reported AED'000</i>	<i>Restated AED'000</i>	<i>Net movement AED'000</i>
Assets				
Prepayments and other receivables	(a)	9,349	12,334	2,985
Liabilities				
Insurance contract liabilities:				
- Unearned premium reserve	(b)	145,369	152,242	6,873
Equity				
Retained earnings	(a), (b)	130,811	126,923	(3,888)
		<i>31 December 2017</i>		
	<i>Adjustments</i>	<i>As previously reported AED'000</i>	<i>Restated AED'000</i>	<i>Net movement AED'000</i>
Assets				
Prepayments and other receivables	(a)	14,528	18,188	3,660
Liabilities				
Insurance contract liabilities:				
- Unearned premium reserve	(b)	171,224	179,752	8,528
- Additional reserve	(c)	55,130	49,830	(5,300)
- Unexpired risk reserve	(c)	-	5,300	5,300
Equity				
Retained earnings	(a), (b)	142,551	137,683	(4,868)

(a) Deferment of commission expenses for medical business

The Group has implemented the change in accounting policy for recognition of deferred acquisition cost from 1 January 2018. Before adopting the new accounting policy, the Group recognised commission expenses related to the acquisition and renewal of medical insurance contracts in the consolidated statement of income when incurred. As per the new accounting policy they are deferred to the extent that these costs are recoverable out of future premiums from insurance contracts. The change in accounting policy has been applied retrospectively and the restatement resulted in an increase in prepayments and other receivables and retained earnings by AED 2,985 thousand as at 1 January 2017 and an increase in prepayments and other receivables and retained earnings by AED 3,660 thousand as at 31 December 2017. The consolidated statement of income is also restated resulting in a decrease in commission expenses by AED 677 thousand for the year ended 31 December 2017.

(b) Change in calculation basis of unearned premium reserve for medical business

The Group has changed its calculation basis for unearned premium reserve for medical business which was calculated based on the risk premium in previous years to gross premium in current year. The change was due to the adoption of the new accounting policy for deferment of commission expenses. The change in basis of calculation has been applied retrospectively and the restatement resulted in an increase in unearned premium reserve included under insurance contract liabilities and a decrease in retained earnings by AED 6,873 thousand as at 1 January 2017 and an increase in unearned premium reserve included under insurance contract liabilities and a decrease in retained earnings by AED 8,528 thousand as at 31 December 2017. The consolidated statement of income is also restated resulting in an increase in movement for unearned premium by AED 1,657 thousand for the year ended 31 December 2017.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New standards and interpretations effective after 1 January 2018 (continued)

(b) Change in calculation basis of unearned premium reserve for medical business (continued)

The earnings per share for the year ended 31 December 2017 as a result of restatement for the matters disclosed above in note (a) and note (b) is decreased by AED 0.0098.

(c) Unexpired risk reserve for medical business

The adoption of the new accounting policy for deferment of commission expenses has resulted in creation of unexpired risk reserve which is based on the Group's actuary report. Group has released some of the additional reserve which was held over and above the Group's actuary calculation as disclosed in note 23(e) of the consolidated financial statements and created the unexpired risk reserve. This has been applied retrospectively and the restatement resulted in an increase in unexpired risk reserve included under insurance contract liabilities and a decrease in additional reserve included under insurance contract liabilities by AED 5,300 thousand as at 31 December 2017.

A restated consolidated statement of financial position as at 1 January 2017 has not been presented as required by the accounting standards as the impact is not material.

The nature and the impact of each new standard and amendment effective from 1 January 2018 is described below. Although these new standards and amendments applied for the first time in 2018, they did not have a material impact on the annual consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the full retrospective method of adoption. Given insurance contracts are scoped out of IFRS 15, the main impact of the new standard is on the accounting for income from investments and therefore this standard did not affect the Group's consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17). The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2022 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

The Group has early applied the IFRS 9 from 1 January 2010 and reclassified, with effect from 1 January 2010, all available for sale securities that were still held as at fair value through OCI. Application of the other phases of the standard did not affect the Group's consolidated financial statement.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New standards and interpretations effective after 1 January 2018 (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Standards issued but not yet effective

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

The nature and the impact of the new standards and amendments applicable to the Group are described below:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. The application of standard will not have any impact on the Group's 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

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. Group is currently evaluating the expected impact.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Revenue recognition

Gross premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Gross premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Premiums on general insurance policies are accounted for on the date of writing of policies except premium income on marine cargo policies which is accounted for on the expected date of voyage. Premiums are adjusted for unearned premium.

Reinsurance premiums

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Gross reinsurance premiums on life are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Commissions earned

Commissions earned are recognised at the time policies are written.

Other investment income

- (i) Interest income is recognised on a time proportion basis.
- (ii) Dividend income is accounted for when the right to receive payment is established.
- (iii) Rental income is recognised as income over the period to which it relates.

Claims and expenses recognition

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred. Provision for incurred but not reported claims is included within additional reserve.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account for that year.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost

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

Policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts other than medical business are charged to the consolidated statement of income when incurred.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Acquisition Cost

Those direct costs incurred during the financial year arising from acquiring or renewing of insurance contracts for the medical segment, are deferred to the extent that these costs are recoverable out of future premiums from insurance contracts. All other acquisition costs are recognised as an expense during the year.

Subsequent to initial recognition, this DAC asset for insurance contracts is amortised over the period in which the related revenues are earned.

General and administration expenses

Direct expenses of general insurance business are charged to respective departmental revenue accounts. Indirect expenses of the general insurance business are allocated to departmental revenue accounts on the basis of gross retained premiums of each department. Other administration expenses are charged to the consolidated statement of income.

Leases

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

Liability adequacy test

At each consolidated statement of financial position date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the consolidated statement of financial position date.

Foreign currency translation

The presentation currency is UAE Dirhams (AED). This is also the functional currency of the Group. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated statement of income, except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in the consolidated statement of comprehensive income.

Segment reporting

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

- a) The health and life assurance segment offers short term group health and life insurance. Revenue from this segment is derived primarily from insurance premium, fees and commission income, investment income and fair value gains and losses on investments.
- b) The non- health and life insurance segment comprises general insurance to individuals and businesses. General insurance products offered include motor, Visa insurance, marine, fire, engineering and general accident. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident, e.g., employee liability claims and asbestos. Non-life healthcare contracts provide medical cover to policyholders. Revenue in this segment is derived primarily from insurance premiums, investment income and fair value gains and losses on investments.
- c) The investment segment includes investment in equity, fixed income securities such as bonds and fixed deposits and net rental income from investment properties.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting (continued)

No operating segments have been aggregated to form the above reportable operating segments. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the consolidated financial statements. Unallocated administrative expenses are managed on a group basis and are not allocated to individual operating segments.

No inter-segment transactions occurred in 2018 and 2017. If any transaction were to occur, transfer prices between operating segments would be set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

Product classification

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

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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

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

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of property and equipment as follows:

Furniture and equipment	4 – 10 years
Motor vehicles	4 years

No depreciation is charged on freehold land.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognised.

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

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Building	25 years
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No depreciation is charged on freehold land.

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the "trade date", i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Fair value measurement

The Group measures financial instruments, such as, equity instruments, and non-financial assets such as investment properties (for disclosure purposes), at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 12.

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.

Dubai Insurance Company (P.S.C.) and its subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

At initial recognition, all financial assets are measured at fair value.

Equity investments

For subsequent measurements, all financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or through profit or loss. This is an irrevocable choice that the Group has made on early adoption of IFRS 9 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss. Gain or loss on disposal of equity investments at fair value through Other Comprehensive Income (OCI) are not recycled. Dividend income for all equity investments at fair value through Other Comprehensive Income (OCI) are recorded through profit or loss.

Debt instruments

Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

- i. the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
- ii. the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Derecognition of financial instruments

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement
- The Group has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay

Impairment and uncollectibility of financial assets

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

- (a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets (excluding goodwill)

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Dubai Insurance Company (P.S.C.) and its subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of non-financial assets (excluding goodwill) (continued)

Impairment losses are recognised in the statement of profit or loss.

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 makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Reinsurance contracts held

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income. Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and general insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the consolidated statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

Insurance receivables

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

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Cash and cash equivalents

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

Dubai Insurance Company (P.S.C.) and its subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contract liabilities

(i) Unearned premium reserve

At the end of each year a proportion of net retained premiums of the general insurance, medical and group life business is provided to cover portions of risks which have not expired at the reporting date. The reserves are calculated in accordance with the requirements of the Insurance Law relating to insurance companies at 1/365 of annual premiums earned net of reinsurance for all classes of insurance, except marine which is calculated at 25% and policies with insurance period of 2 years at 1/48 method. Unearned premium reserves for medical and group life business are calculated on a time proportion basis.

(ii) Additional reserve

A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:

- a) claims reported during the year
- b) delay in reporting these claims
- c) claim handling provision

(iii) Unexpired risk reserve

A provision is made for the claims expected to be incurred after the reporting date in respect of current insurance contracts that will, together with any deferred expenses, exceed the premium to be earned on those contracts after the reporting date.

(iv) Outstanding claims

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' end of service benefits

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

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
- (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

Judgments

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

Classification of properties

Management decides whether a property under construction will be used upon completion as owner-occupied property or for renting out to third parties. If used as owner-occupied property, the value in use of the property is determined as part of the cash generating unit to which it belongs. Otherwise, the asset is classified as investment property and its fair value is determined on an individual asset basis.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as of fair value through profit or loss, at fair value through OCI or at amortised cost.

Operating lease commitments

The Group has entered into commercial property leases on its investment property. The Group, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Additional reserve

A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:

- a) claims reported during the year
- b) delay in reporting these claims
- c) claim handling provision

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:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or other valuation models.

Provision for outstanding claims, whether reported or not

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.

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

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

Impairment losses on insurance receivables

The Group reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant insurance receivables, the Group also makes a collective impairment provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

Reinsurance

The Group is exposed to disputes with, and possibility of defaults by, its reinsurers. The Group monitors on a regular basis the evolution of disputes with and the strength of its reinsurers.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty (continued)

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Provision for legal cases

Considerable judgement by management is required in the estimation for legal cases 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.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

3 INSURANCE PREMIUM REVENUE

Year 2018	General Insurance			Life Assurance			Total		
	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000
Gross premium	527,401	(414,608)	112,793	4,482	(3,515)	967	531,883	(418,123)	113,760
Movement in provision for unearned premium	(79,851)	94,256	14,405	301	(269)	32	(79,550)	93,987	14,437
Insurance premium revenue	447,550	(320,352)	127,198	4,783	(3,784)	999	452,333	(324,136)	128,197
Unearned premium as of 31 December (Note 23)	258,337	(231,723)	26,614	965	(931)	34	259,302	(232,654)	26,648
Year 2017 (Restated)	General Insurance			Life Assurance			Total		
	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000
Gross premium	470,517	(333,962)	136,555	5,877	(4,514)	1,363	476,394	(338,476)	137,918
Movement in provision for unearned premium	(27,955)	16,021	(11,934)	443	(385)	58	(27,512)	15,636	(11,876)
Insurance premium revenue	442,562	(317,941)	124,621	6,320	(4,899)	1,421	448,882	(322,840)	126,042
Unearned premium as of 31 December (Note 23)	178,485	(137,466)	41,019	1,267	(1,201)	66	179,752	(138,667)	41,085

Insurance contracts premium includes AED 56,558 thousand (2017: AED 51,833 thousand) of reinsurance premium accepted.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

4 CLAIMS INCURRED

Year 2018	General Insurance			Life Assurance			Total		
	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000
Claims paid	394,312	(322,002)	72,310	1,863	(1,677)	186	396,175	(323,679)	72,496
Changes in provision for outstanding claim (note 23(d))	(44,435)	33,444	(10,991)	965	(879)	86	(43,470)	32,565	(10,905)
Movement in additional reserves (note 23(a))	(4,375)	5,215	840	488	(441)	47	(3,887)	4,774	887
Movement in unexpired risk reserve (note 23(b))	900	-	900	-	-	-	900	-	900
Movement in loss adjustment expense reserve (note 23(c))	(822)	-	(822)	5	-	5	(817)	-	(817)
	345,580	(283,343)	62,237	3,321	(2,997)	324	348,901	(286,340)	62,561
	General Insurance			Life Assurance			Total		
	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000
Year 2017 (Restated)									
Claims paid	385,903	(339,115)	46,788	1,916	(1,723)	193	387,819	(340,838)	46,981
Changes in provision for outstanding claim (note 23(d))	3,793	5,460	9,253	3	(3)	-	3,796	5,457	9,253
Movement in additional reserves (note 23(a))	(1,323)	287	(1,036)	(36)	35	(1)	(1,359)	322	(1,037)
Movement in unexpired risk reserve (note 23(b))	5,300	-	5,300	-	-	-	5,300	-	5,300
Movement in loss adjustment expense reserve	575	-	575	(8)	-	(8)	567	-	567
	394,248	(333,368)	60,880	1,875	(1,691)	184	396,123	(335,059)	61,064

For details of the movement in the reserves, refer note 23.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

5 SEGMENTAL INFORMATION

Identification of reportable segments

Primary segment information

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

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

Transactions between operating segments are conducted at estimated market rates on an arm's length basis.

Operating segment information is presented below:

	<i>General insurance</i>		<i>Medical and Life assurance</i>		<i>Total</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
UNDERWRITING INCOME						
Insurance premium revenue	238,211	208,008	214,122	240,874	452,333	448,882
Reinsurers' share of premium	(169,871)	(144,700)	(154,265)	(178,140)	(324,136)	(322,840)
Net insurance premium revenue	68,340	63,308	59,857	62,734	128,197	126,042
Reinsurance commission income	44,289	35,146	221	1,834	44,510	36,980
Other income	7	138	115	-	122	138
	112,636	98,592	60,193	64,568	172,829	163,160
UNDERWRITING EXPENSES						
Claims incurred	197,055	201,275	151,846	194,848	348,901	396,123
Reinsurers' share of claims incurred	(157,019)	(168,002)	(129,321)	(167,057)	(286,340)	(335,059)
Net claims incurred	40,036	33,273	22,525	27,791	62,561	61,064
Commission expenses	22,150	25,862	9,114	9,114	31,264	34,976
Excess of loss reinsurance premium	1,291	1,913	-	-	1,291	1,913
Other direct expenses	3,464	460	9,109	15,756	12,573	16,216
General and administration expenses relating to underwriting activities	11,134	10,416	10,771	10,923	21,905	21,339
	78,075	71,924	51,519	63,584	129,594	135,508
NET UNDERWRITING INCOME	34,561	26,668	8,674	984	43,235	27,652
Total investment income					15,448	17,202
Unallocated other expenses					(8,176)	(7,338)
PROFIT FOR THE YEAR					50,507	37,516

For operational and management reporting purposes, the Group is organised as one geographical segment.

Dubai Insurance Company (P.S.C.) and its subsidiary
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5 SEGMENTAL INFORMATION (continued)

OTHER INFORMATION

	<i>General insurance</i>		<i>Medical and Life Assurance</i>		<i>Investment</i>		<i>Total</i>	
	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Segment assets	711,026	586,826	181,023	113,624	435,012	485,990	1,327,061	1,186,440
Segment liabilities	628,178	528,480	201,993	143,460	10,844	44,456	841,015	716,396
Capital expenditure	1,823	1,402					1,823	1,402
Depreciation	1,314	1,763					1,314	1,763

The Group's operations are primarily conducted in the United Arab Emirates. General Insurance figures reported above include certain assets and liabilities that are common for all three reportable segments. These amounts are not significant and are not reported separately to the chief decision maker.

6 OTHER INVESTMENT INCOME

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Rental income from investment properties	758	913
Investment property expenses	(879)	(930)
	(121)	(17)
Dividend income - Financial assets at fair value through other comprehensive income	13,499	13,346
Interest income from bonds and fixed deposits	2,307	3,068
Cash and cash equivalents and statutory deposits interest income	899	1,800
	16,584	18,197

7 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Staff costs	18,255	18,679
Rental costs – operating leases	350	340
Social contributions**	420	412

** During the year social contributions were paid to CSR Initiative, Sports for all football training and in the previous year social contributions were paid to Faraj Fund, Sports for all Football Training, Eventides Event Management.

Dubai Insurance Company (P.S.C.) and its subsidiary
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8 BASIC AND DILUTED EARNINGS PER SHARE

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

	2018	2017 <i>Restated</i>
Profit for the year (AED'000)	50,507	37,516
Directors' fees (AED'000)	(3,212)	(1,756)
Net (AED'000)	<u>47,295</u>	<u>35,760</u>
Weighted average number of shares outstanding during the year ('000)	<u>100,000</u>	<u>100,000</u>
Earnings per share (AED)	<u>0.47</u>	<u>0.36</u>

No figures for diluted earnings per share are presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

9 PROPERTY AND EQUIPMENT

	<i>Land</i> AED'000	<i>Furniture and equipment</i> AED'000	<i>Motor vehicles</i> AED'000	<i>Total</i> AED'000
Cost:				
At 1 January 2018	44,173	13,034	809	58,016
Additions during the year	-	1,401	422	1,823
Disposals during the year	-	-	(440)	(440)
At 31 December 2018	<u>44,173</u>	<u>14,435</u>	<u>791</u>	<u>59,399</u>
Depreciation:				
At 1 January 2018	-	10,617	718	11,335
Charge for the year	-	1,178	137	1,315
Relating to disposals	-	-	(440)	(440)
At 31 December 2018	<u>-</u>	<u>11,795</u>	<u>415</u>	<u>12,210</u>
Net carrying amount: At 31 December 2018	<u>44,173</u>	<u>2,640</u>	<u>376</u>	<u>47,189</u>
	<i>Land</i> AED'000	<i>Furniture and equipment</i> AED'000	<i>Motor vehicles</i> AED'000	<i>Total</i> AED'000
Cost:				
At 1 January 2017	44,173	11,742	699	56,614
Additions during the year	-	1,292	110	1,402
At 31 December 2017	<u>44,173</u>	<u>13,034</u>	<u>809</u>	<u>58,016</u>
Depreciation:				
At 1 January 2017	-	8,900	672	9,572
Charge for the year	-	1,717	46	1,763
At 31 December 2017	<u>-</u>	<u>10,617</u>	<u>718</u>	<u>11,335</u>
Net carrying amount: At 31 December 2017	<u>44,173</u>	<u>2,417</u>	<u>91</u>	<u>46,681</u>

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9 PROPERTY AND EQUIPMENT (continued)

The depreciation charge for the year of AED 1,315 thousand (2017: AED 1,763 thousand) has been allocated as follows:

	2018 AED'000	2017 AED'000
Underwriting expenses	986	1,323
Other expenses	329	440
	<u>1,315</u>	<u>1,763</u>

Included in property and equipment is land situated in the Emirate of Dubai, United Arab Emirates with a carrying value of AED 44,173 thousand (2017: AED 44,173 thousand). The Group's Board of Directors has resolved to construct the Group's head office on the land in the foreseeable future.

10 INVESTMENT PROPERTY

	<i>Freehold land AED'000</i>	<i>Building AED'000</i>	<i>Total AED'000</i>
Cost:			
At 1 January 2018	1,670	18,392	20,062
Addition during the year	18,362	-	18,362
At 31 December 2018	<u>20,032</u>	<u>18,392</u>	<u>38,424</u>
Depreciation:			
At 1 January 2018	-	18,392	18,392
At 31 December 2018	<u>-</u>	<u>18,392</u>	<u>18,392</u>
Net carrying amount:			
At 31 December 2018	<u>20,032</u>	<u>-</u>	<u>20,032</u>
	<i>Freehold land AED'000</i>	<i>Building AED'000</i>	<i>Total AED'000</i>
Cost:			
At 1 January 2017	1,670	18,392	20,062
At 31 December 2017	<u>1,670</u>	<u>18,392</u>	<u>20,062</u>
Depreciation:			
At 1 January 2017	-	18,392	18,392
At 31 December 2017	<u>-</u>	<u>18,392</u>	<u>18,392</u>
Net carrying amount:			
At 31 December 2017	<u>1,670</u>	<u>-</u>	<u>1,670</u>

Land and Building at Deira, Dubai

Investment property is carried at cost and the fair value of the investment property as of 31 December 2018, based on a valuation undertaken by an independent qualified valuers, amounted to AED 41,250 thousand (2017: AED 35,200 thousand).

Land at Satwa, Dubai

The property was transferred from advance for investment property to investment property as the company has paid 100% of the due amount during the year and the title deed for the transferred property was issued on 1 July 2018. The property is carried at cost and the fair value of the investment property as of 31 December 2018, based on a valuation undertaken by an independent qualified valuer, amounted to AED 18,644 thousand.

The fair value of investment properties has been determined using level 2 fair value hierarchy.

Dubai Insurance Company (P.S.C.) and its subsidiary

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11 ADVANCE FOR INVESTMENT PROPERTIES

This represents advance given for two investment properties within United Arab Emirates. Advance for the two investment properties represents 92% of the total cost of the properties and the remaining 8% of the total cost is capital commitment as mentioned in Note 28.

12 FINANCIAL INSTRUMENTS

	<i>Carrying value</i>		<i>Fair value</i>	
	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
<i>Financial instruments</i>				
At fair value through profit or loss (Note 12(a))	50,215	65,900	50,216	65,900
At fair value through other comprehensive income (Note 12(b))	309,874	310,198	309,874	310,198
Investments held at amortised cost (Note 12 (c))	40,737	86,964	38,400	86,829
	400,826	463,062	398,490	462,927

12(a) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
<i>a) Shares - quoted</i>	3,983	4,354
<i>b) Designated upon initial recognition</i>		
Bank deposits with maturity over three months - unquoted	46,232	61,546
	50,215	65,900

The entire shares and bank deposits are within the United Arab Emirates.

12(b) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Shares – quoted (within UAE)	279,690	285,708
Shares – unquoted (Outside UAE)	20,666	14,290
Shares – unquoted (within UAE)	9,518	10,200
	309,874	310,198

The fair value loss amounting to AED 6,293 thousand (2017: loss of AED 21,435 thousand) has been recognised in the consolidated statement of comprehensive income.

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12 FINANCIAL INSTRUMENTS (continued)

12(c) DEBT INSTRUMENTS AT AMORTISED COST

	2018 AED'000	2017 AED'000
<i>Amortised cost</i>		
Debt securities (within UAE)	13,337	17,348
Debt securities (outside UAE)	27,400	69,616
	<u>40,737</u>	<u>86,964</u>

Debt securities amounting to AED 40,737 thousand (2017: AED 86,964 thousand) are pledged against bank loans (Note 21). The investments carry interest at an effective rate of 4.40 % per annum (2017: 4.46% per annum). The maturity profile of these debt instruments is shown below:

	<i>31 December 2018</i>		
	<i>Less than 5 years AED'000</i>	<i>More than 5 years AED'000</i>	<i>Total AED'000</i>
Debt securities (within UAE)	10,582	2,755	13,337
Debt securities (outside UAE)	13,712	13,688	27,400
	<u>24,294</u>	<u>16,443</u>	<u>40,737</u>

	<i>31 December 2017</i>		
	<i>Less than 5 years AED'000</i>	<i>More than 5 years AED'000</i>	<i>Total AED'000</i>
Debt securities (within UAE)	11,745	5,603	17,348
Debt securities (outside UAE)	36,932	32,684	69,616
	<u>48,677</u>	<u>38,287</u>	<u>86,964</u>

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair values hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair values hierarchy (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>Fair value</i> <i>AED'000</i>
At 31 December 2018				
Financial instruments				
<i>At fair value through profit or loss:</i>				
Bank deposits	-	46,232	-	46,232
Quoted equity securities	3,983	-	-	3,983
	<u>3,983</u>	<u>46,232</u>	<u>-</u>	<u>50,215</u>
<i>At fair value through other comprehensive income:</i>				
Quoted equity investments	279,690	-	-	279,690
Unquoted equity investments	-	-	30,184	30,184
	<u>279,690</u>	<u>-</u>	<u>30,184</u>	<u>309,874</u>
	<u><u>283,673</u></u>	<u><u>46,232</u></u>	<u><u>30,184</u></u>	<u><u>360,089</u></u>
At 31 December 2017				
Financial instruments				
<i>At fair value through profit or loss:</i>				
Bank deposits	-	61,546	-	61,546
Quoted equity securities	4,354	-	-	4,354
	<u>4,354</u>	<u>61,546</u>	<u>-</u>	<u>65,900</u>
<i>At fair value through other comprehensive income:</i>				
Quoted equity investments	285,708	-	-	285,708
Unquoted equity investments	-	-	24,490	24,490
	<u>285,708</u>	<u>-</u>	<u>24,490</u>	<u>310,198</u>
	<u><u>290,062</u></u>	<u><u>61,546</u></u>	<u><u>24,490</u></u>	<u><u>376,098</u></u>

Financial instruments recorded at fair value

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

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13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial instruments recorded at fair value (continued)

Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments in limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

Movements in level 3 financial instruments measured at fair value

31 December 2018

	<i>At 1 January 2018 AED'000</i>	<i>Total gain or loss recorded in profit and loss AED'000</i>	<i>Purchases AED'000</i>	<i>Sales AED'000</i>	<i>Total gain or loss recorded in OCI AED'000</i>	<i>Transfers AED'000</i>	<i>At 31 December 2018 AED'000</i>
Financial instruments							
At fair value through other comprehensive income:							
Unquoted investments	24,490	-	8,815	(3,282)	161	-	30,184
Total level 3 financial Assets	24,490	-	8,815	(3,282)	161	-	30,184

31 December 2017

	<i>At 1 January 2017 AED'000</i>	<i>Total gain or loss recorded in profit and loss AED'000</i>	<i>Purchases AED'000</i>	<i>Sales AED'000</i>	<i>Total gain or loss recorded in OCI AED'000</i>	<i>Transfers AED'000</i>	<i>At 31 December 2017 AED'000</i>
Financial assets							
At fair value through other comprehensive income:							
Unquoted investments	19,782	-	5,509	-	(801)	-	24,490
Total level 3 financial assets	19,782	-	5,509	-	(801)	-	24,490

Gains or losses on level 3 financial instruments included in the profit or loss for the year:

No gains or losses on level 3 financial instruments were included in the profit or loss for the year.

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

For equity securities, the Group does not have a material exposure as at 31 December 2018 and, accordingly no sensitivity analysis has been done.

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements:

Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturities (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to insurance receivables, reinsurance payables, demand deposits and savings accounts without specific maturity. Fair value of quoted bonds is based on price quotations at the reporting date. Long term bank loan is evaluated by Group based on parameters such as interest rates.

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14 INSURANCE RECEIVABLES

	2018 AED'000	2017 AED'000
Due from policyholders	118,732	57,840
Due from insurance companies	52,131	40,847
Due from insurance brokers	15,733	16,187
Other insurance receivables	47,738	49,047
Due from re-insurance companies in respect of settled claims	19,813	17,025
Less : Provision for doubtful accounts	(6,410)	(5,410)
	<u>247,737</u>	<u>175,536</u>

All of the above amounts are due within twelve months of the reporting date. The amounts due from reinsurers are normally settled on a quarterly basis. As at 31 December 2018, premiums and insurance companies' balances receivable at nominal value of AED 6,410 thousand (2017: AED 5,410 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2018 AED'000	2017 AED'000
At 1 January	5,410	4,910
Charge for the year	1,000	500
At 31 December	<u>6,410</u>	<u>5,410</u>

The following table shows analysis of insurance receivables by class of business:

	<i>General</i>		<i>Life</i>	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Due from policyholders	117,904	56,665	828	1,175
Due from insurance companies	52,022	40,738	109	109
Due from insurance brokers	15,649	15,855	84	333
Other insurance receivables	47,738	49,046	-	-
Due from re-insurance companies in respect of settled claims	19,740	16,990	73	35
Less : Provision for doubtful accounts	(6,410)	(5,410)	-	-
	<u>246,643</u>	<u>173,884</u>	<u>1,094</u>	<u>1,652</u>

Inside UAE:

	<i>General</i>		<i>Life</i>	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Due from policyholders	117,304	48,107	785	1,133
Due from insurance companies	51,957	40,656	109	109
Due from insurance brokers	14,671	14,561	84	332
Other insurance receivables	47,738	49,046	-	-
Due from re-insurance companies in respect of settled claims	447	865	-	-
Less : Provision for doubtful accounts	(6,410)	(5,410)	-	-
	<u>225,707</u>	<u>147,825</u>	<u>978</u>	<u>1,574</u>

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As at 31 December 2018

14 INSURANCE RECEIVABLES (continued)

The following table provides an ageing analysis of insurance receivables:

31 December 2018

	Less than 30 days AED'000	30-90 days AED'000	91 to 180 days AED'000	181 to 270 days AED'000	271 to 365 days AED'000	> 365 days AED'000	Total AED'000
Inside UAE:							
Due from:							
Policyholders	12,936	4,275	18,556	40,662	32,531	2,718	111,678
Insurance companies	2,303	12,239	10,927	11,584	7,868	7,144	52,065
Insurance brokers	1,459	3,653	3,359	1,685	1,976	2,623	14,755
Re-insurance companies	228	-	-	-	-	219	447
Other receivables	7,950	8,951	9,210	5,102	3,372	13,155	47,740
Total	24,876	29,118	42,052	59,033	45,747	25,859	226,685
Outside UAE:							
Due from:							
Policyholders	-	-	-	-	417	225	642
Insurance Companies	66	-	-	-	-	-	66
Insurance brokers	-	-	-	-	-	977	977
Re-insurance companies	7,158	10,695	22	200	292	1,000	19,367
Total	7,224	10,695	22	200	709	2,202	21,052

31 December 2017

	Less than 30 days AED'000	30-90 days AED'000	91 to 180 days AED'000	181 to 270 days AED'000	271 to 365 days AED'000	> 365 days AED'000	Total AED'000
Inside UAE:							
Due from:							
Policyholders	11,542	3,245	10,934	11,112	4,740	2,257	43,830
Insurance companies	11,024	5,111	14,140	6,626	3,417	447	40,765
Insurance brokers	3,151	5,577	2,890	1,029	1,046	1,200	14,893
Re-insurance companies	125	637	4	-	-	99	865
Other receivables	13,750	11,598	7,317	3,382	2,659	10,340	49,046
Total	39,592	26,168	35,285	22,149	11,862	14,343	149,399
Outside UAE:							
Due from:							
Policyholders	2,328	-	393	979	14	4,967	8,681
Insurance brokers	4	100	9	-	420	762	1,295
Re-insurance companies	14,692	25	1,218	4	50	172	16,161
Total	17,024	125	1,620	983	484	5,901	26,137

Dubai Insurance Company (P.S.C.) and its subsidiary

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15 PREPAYMENTS AND OTHER RECEIVABLES

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i> <i>Restated</i>
Accrued income	901	1,848
Prepayments	1,866	3,092
Staff debtors and advances	382	464
Deferred acquisition cost	4,881	3,660
Deferred TPA fees	5,587	1,970
VAT receivable	3,406	-
Other receivables	14,090	7,154
	<u>31,113</u>	<u>18,188</u>

16 STATUTORY DEPOSITS

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Bank deposits:		
Amounts that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No. 6 of 2007	<u>10,000</u>	<u>10,000</u>

The bank deposit expires after one year and is renewable every year and earns an interest of 2.25% (2017: 2.25%) per annum.

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Bank balances and cash	<u>77,385</u>	<u>28,068</u>

The entire cash and cash equivalents are within United Arab Emirates, Europe and GCC. The cash and cash equivalents include eDirham account amounting to AED 47,824 thousand.

18 SHARE CAPITAL

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Issued and fully paid 100,000,000 shares of AED 1 each (2017: 100,000,000 shares of AED 1 each)	<u>100,000</u>	<u>100,000</u>

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19 RESERVES

NATURE AND PURPOSE OF RESERVES

Statutory reserve

In accordance with UAE Commercial Companies Law and the Group's Articles of Association, the Group has resolved to discontinue the annual transfer of 10% of the profit for the year since the statutory reserve reached 50% of the paid up share capital. The reserve is not available for distribution, except in the circumstances stipulated by the UAE Commercial Companies Law.

General reserve

Transfers to the general reserve are made on the recommendation of the Board of Directors. During the year, the Board of Directors has recommended to transfer AED Nil (2017: AED Nil) to the general reserve. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

Cumulative changes in fair value of investments

This reserve records fair value changes on financial instruments held at fair value through other comprehensive income.

20 DIVIDENDS

For the year ended 31 December 2017, the Shareholders at the annual general meeting dated 3 March 2018 approved a cash dividend of 25% (AED 0.25 per share) totalling AED 25 million. For the year ended 31 December 2016, the Shareholders at the annual general meeting dated 3 March 2017 approved a cash dividend of 25% (AED 0.25 per share) totalling AED 25 million.

21 BANK LOAN

	2018 AED'000	2017 AED'000
Loan I	-	18,462
Loan II	9,781	18,122
Loan III	1,064	7,872
	<u>10,845</u>	<u>44,456</u>

Loan I

During the year, the Group has settled the loan and disposed the debt instruments at amortised cost.

Loan II

In 2015, the Group entered into credit facility agreements with an international bank. The loan facilities are secured against investments in debt instruments held at amortised cost amounting to AED 19,444 thousand (31 December 2017: AED 27,474 thousand) (Note 12.c) used for the Group's investment operations and carries interest at 1 month USD LIBOR plus 0.5% per annum. The tenure of the loans are directly linked to the maturity period of the debt instruments which are financed by the loan. The debt instruments have maturity periods of 1 to 31 years. The net decrease in carrying amount during the year is due to repayment of loan AED 8,341 thousand by cash and cash equivalent.

Loan III

In 2015, the Group entered into credit facility agreements with a local bank. The loan facilities are secured against investments in debt instruments held at amortised cost amounting to AED 21,293 thousand (31 December 2017: AED 27,296 thousand) (Note 12.c) used for the Group's investment operations and carries interest at 3 months USD LIBOR plus 0.85% per annum. The tenure of the loans are directly linked to the maturity period of the debt instruments which are financed by the loan. The debt instruments have maturity periods of 1 to 11 years. The net decrease in carrying amount during the year is due to repayment of loan AED 6,778 thousand by cash and cash equivalents and AED 30 thousand of non-cash increase due to interest accrued.

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22 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Provision as at 1 January	3,503	2,987
Provided during the year	518	622
End of service benefits paid	(184)	(106)
Provision as at 31 December	<u>3,837</u>	<u>3,503</u>

23 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>Gross</i>		<i>Reinsurers' share</i>		<i>Net</i>	
	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i> <i>Restated</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i> <i>Restated</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i> <i>Restated</i>
Unearned premium reserve (Note 3)	259,302	179,752	(232,654)	(138,667)	26,648	41,085
Additional reserve (Note 23(a))	45,943	49,830	(33,582)	(38,356)	12,361	11,474
Unexpired risk reserve (Note 23(b))	6,200	5,300	-	-	6,200	5,300
Unallocated loss adjustment expense reserve (Note 23(c))	1,772	2,589	-	-	1,772	2,589
Outstanding claims (Note 23(d))	237,702	281,172	(212,389)	(244,954)	25,313	36,218
	<u>550,919</u>	<u>518,643</u>	<u>(478,625)</u>	<u>(421,977)</u>	<u>72,294</u>	<u>96,666</u>

23 (a) Additional reserve

	<i>General Insurance</i> <i>AED'000</i>	<i>Life Assurance</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
1 January 2017:			
Gross	50,891	298	51,189
Reinsurers' share	(38,407)	(271)	(38,678)
	<u>12,484</u>	<u>27</u>	<u>12,511</u>
Net decrease (Note 4)	(1,036)	(1)	(1,037)
31 December 2017: (<i>Restated</i>)			
Gross	49,568	262	49,830
Reinsurers' share	(38,120)	(236)	(38,356)
	<u>11,448</u>	<u>26</u>	<u>11,474</u>
Net increase (Note 4)	840	47	887
31 December 2018:			
Gross	45,193	750	45,943
Reinsurers' share	(32,905)	(677)	(33,582)
	<u>12,288</u>	<u>73</u>	<u>12,361</u>

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23 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

23 (b) Unexpired risk reserve

	<i>General Insurance AED'000</i>	<i>Life Assurance AED'000</i>	<i>Total AED'000</i>
At 31 December 2017 (<i>Restated</i>)	5,300	-	5,300
Charge during the year	900	-	900
At 31 December 2018:	6,200	-	6,200

23 (c) Unallocated loss adjustment expense reserve

	<i>General Insurance AED'000</i>	<i>Life Assurance AED'000</i>	<i>Total AED'000</i>
At 31 December 2017	2,570	19	2,589
Charge during the year	(822)	5	(817)
At 31 December 2018:	1,748	24	1,772

23 (d) Outstanding claims

	<i>General Insurance AED'000</i>	<i>Life Assurance AED'000</i>	<i>Total AED'000</i>
At 1 January 2017:			
Outstanding claims	274,726	2,650	277,376
Due from reinsurers	(248,026)	(2,385)	(250,411)
	26,700	265	26,965
Net increase (Note 4)	9,253	-	9,253
At 31 December 2017:			
Outstanding claims	278,519	2,653	281,172
Due from reinsurers	(242,566)	(2,388)	(244,954)
	35,953	265	36,218
Net increase (Note 4)	(10,991)	86	(10,905)
At 31 December 2018:			
Outstanding claims	234,084	3,618	237,702
Due from reinsurers	(209,122)	(3,267)	(212,389)
	24,962	351	25,313

Dubai Insurance Company (P.S.C.) and its subsidiary

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23 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

23 (d) Outstanding claims (continued)

Claims development table for gross general insurance claims (excluding Medical and life):

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

Year 2018	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Accident year	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000	AED' 000
At the end										
of accident year	75,812	83,577	81,630	91,453	108,488	169,288	224,778	181,936	224,281	
One year later	81,811	90,327	85,993	98,734	114,658	324,572	245,384	192,973	-	
Two years later	80,321	86,141	82,538	98,973	113,497	325,722	245,027	-	-	
Three years later	79,964	84,795	80,583	98,260	112,309	288,727	-	-	-	
Four years later	79,330	84,551	78,114	97,814	111,596	-	-	-	-	
Five years later	78,888	84,270	78,233	97,281	-	-	-	-	-	
Six years later	78,858	84,220	77,403	-	-	-	-	-	-	
Seven years later	79,021	83,861	-	-	-	-	-	-	-	
Eight years later	79,023	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	79,023	83,861	77,403	97,281	111,596	288,727	245,027	192,973	224,281	1,400,172
At the end										
of accident year	(50,511)	(55,967)	(50,270)	(62,991)	(84,771)	(94,966)	(177,215)	(145,493)	(188,026)	
One year later	(73,533)	(78,766)	(68,666)	(91,287)	(108,004)	(125,589)	(229,366)	(178,537)	-	
Two years later	(76,130)	(81,641)	(74,987)	(92,273)	(110,160)	(130,481)	(240,079)	-	-	
Three years later	(76,730)	(82,839)	(75,941)	(93,087)	(110,626)	(132,715)	-	-	-	
Four years later	(77,471)	(82,977)	(76,070)	(93,464)	(110,961)	-	-	-	-	
Five years later	(78,817)	(83,014)	(76,197)	(93,630)	-	-	-	-	-	
Six years later	(78,848)	(83,634)	(76,465)	-	-	-	-	-	-	
Seven years later	(78,971)	(83,639)	-	-	-	-	-	-	-	
Eight years later	(78,973)	-	-	-	-	-	-	-	-	
Cumulative claims paid	(78,973)	(83,639)	(76,465)	(93,630)	(110,961)	(132,715)	(240,079)	(178,537)	(188,026)	(1,183,025)
Total gross Outstanding claims	50	222	938	3,651	635	156,012	4,948	14,436	36,255	217,147

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

23 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

23 (e) Summary of Group's Actuary's report on the technical provisions

31 December 2018

	Carrying value		As per Group's Actuary's report		Differences	
	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000
Unearned premium reserve	259,302	26,648	259,302	26,648	-	-
Unexpired Risk Reserve	6,200	6,200	6,200	6,200	-	-
Claims reported unsettled	237,702	25,313	237,702	25,313	-	-
Claims incurred but not reported	45,943	12,361	41,142	7,560	4,801	4,801
Unallocated loss adjustment expense reserve	1,772	1,772	1,772	1,772	-	-
	550,919	72,294	546,118	67,493	4,801	4,801

31 December 2017 (Restated)

	As per the consolidated financial Statements		As per actuary certificate		Differences	
	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000
Unearned premium reserve	171,224	32,557	171,224	32,557	-	-
Unexpired risk reserve	5,300	5,300	-	-	5,300	5,300
Claims reported unsettled	281,172	36,218	281,172	36,218	-	-
Claims incurred but not reported	49,830	11,474	44,130	5,774	5,700	5,700
Unallocated loss adjustment expense reserve	2,589	2,589	2,589	2,589	-	-
	510,115	88,138	499,115	77,138	11,000	11,000

24 a REINSURANCE BALANCES PAYABLE

	2018 AED'000	2017 AED'000
Reinsurance balances payable	150,524	75,141

The following table shows analysis of reinsurance balances payable by class of business:

	General		Life	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Inside UAE	36,351	29,349	-	-
Outside UAE	112,892	45,112	1,281	680
	149,243	74,461	1,281	680

Dubai Insurance Company (P.S.C.) and its subsidiary
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24 b INSURANCE AND OTHER PAYABLES

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Provision for staff costs	-	2,300
Other creditors and accruals	84,874	41,672
	84,874	43,972

The following table shows analysis of payables by class of business:

	<i>General</i>		<i>Life</i>	
	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Provision for staff costs	-	2,300	-	-
Other creditors and accruals	83,671	41,176	1,203	496
	83,671	43,476	1,203	496
Payables-Inside UAE	79,832	38,301	1,162	416
Payables-Outside UAE	3,839	5,175	41	80
	83,671	43,476	1,203	496

Inside UAE:

	<i>General</i>		<i>Life</i>	
	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Payable to insurance companies	19,157	1,930	-	100
Payable to brokers	6,831	4,711	225	262
Payable to employees	-	2,300	-	-
Other payables	53,844	29,360	937	54
	79,832	38,301	1,162	416

Outside UAE:

	<i>General</i>		<i>Life</i>	
	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Payable to insurance companies	-	2,521	-	-
Payable to re-insurance companies	-	-	-	-
Payable to brokers	49	-	-	-
Payable to employees	-	-	-	-
Other payables	3,790	2,654	41	80
	3,839	5,175	41	80

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

25 RELATED PARTY TRANSACTIONS

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

The significant balances outstanding at 31 December in respect of related parties included in the consolidated financial statements are as follows:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
<i>Affiliates of major shareholders:</i>		
Due from policyholders	23,563	17,245
Outstanding claims	16,673	20,551

The income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
<i>Affiliates of major shareholders:</i>		
Premiums	40,062	38,415
Claims	62,509	29,343
Commission expenses	9,544	16,384
Rent received	134	160
Rent paid	931	885

Compensation of the key management personnel is as follows:

	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
Short term employee benefits	4,411	4,784
End of service benefits	166	216

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2018 and 31 December 2017, the Group has not recorded any impairment of amounts owed by related parties.

26 DIRECTORS' FEES

Directors' fees have been included as an appropriation of net profit for the year as agreed by the Group's management.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

27 RISK MANAGEMENT

(a) Governance framework

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

The Group's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Chief Executive Officer and senior managers.

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

The Group's current enterprise risk management framework is formally documented and divided into three phases. The Group's enterprise risk management framework is established to identify and analyse the key risks faced by the Group to set appropriate controls and manage those risks. As part of the risks identification process, the Group uses risk based capital model to assess the capital requirement and uses stress analysis to apply changes to capital. The Group's risk appetite is derived from the changes to capital.

(b) Capital management framework

The primary objective of the Group's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

(c) Regulatory framework

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

The operations of the Group are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

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

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

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

Dubai Insurance Company (P.S.C.) and its subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27 RISK MANAGEMENT (continued)

(e) Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority

For the purpose of disclosure as per the circular no.33 of 2016 of UAE Insurance Authority, the Group's financial information is grouped into business units based on its products and services as follows:

- The general insurance segment, comprises motor, marine, fire, engineering, medical and general accident.
- The life class includes group life.

The table below summarises the operating activities of the general insurance class of business of the Group.

	<i>Notes</i>	<i>2018 AED'000</i>	<i>2017 AED'000</i>
UNDERWRITING INCOME			
Insurance premium revenue	3	447,550	442,562
Reinsurers' share of premium	3	(320,352)	(317,941)
Net insurance premium revenue	3	127,198	124,621
Reinsurance commission income		44,425	36,550
Other income		122	138
		<u>171,745</u>	<u>161,309</u>
UNDERWRITING EXPENSES			
Claims incurred	4	345,580	394,248
Reinsurers' share of claims incurred	4	(283,343)	(333,368)
Net claims incurred		62,237	60,880
Commission expenses		30,823	34,346
Excess of loss reinsurance premium		1,291	1,913
Other direct expenses		12,557	16,216
General and administration expenses relating to underwriting activities		21,653	21,081
		<u>128,561</u>	<u>134,436</u>
NET UNDERWRITING INCOME		43,184	26,873
TOTAL INVESTMENT INCOME		15,448	17,202
Other operating expenses		(8,153)	(7,315)
PROFIT FOR THE YEAR		50,479	36,760
Net loss on revaluation of investments through other comprehensive income		(4,264)	(21,435)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		46,215	15,325

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 RISK MANAGEMENT (continued)

(e) Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority (continued)

The table below summarises the assets and liabilities of the general insurance class of business of the Group.

	<i>Notes</i>	<i>2018 AED'000</i>	<i>2017 AED'000</i>
ASSETS			
Property and equipment		47,189	46,681
Investment property		20,032	1,670
Advance for investment property		14,154	21,258
Financial instruments		348,521	408,727
Reinsurance assets		473,749	418,152
Insurance receivables	14	246,643	173,884
Prepayments and other receivables		31,113	18,188
Statutory deposits		6,000	6,000
Cash and cash equivalents		75,856	27,803
TOTAL ASSETS		1,263,257	1,122,363
EQUITY AND LIABILITIES			
Equity			
Share capital		100,000	100,000
Statutory reserve		50,000	50,000
General reserve		13,000	13,000
Retained earnings		159,978	137,683
Cumulative changes in fair value of investments		132,249	136,513
Reserve for Life segment		(25,125)	(25,836)
Total equity		430,102	411,360
Liabilities			
Bank loan		10,845	44,456
Employees' end of service benefits		3,819	3,488
Insurance contract liabilities		545,561	514,441
Amounts held under reinsurance treaties		40,016	30,681
Reinsurance balances payable		149,243	74,461
Insurance and other payables	24	83,671	43,476
Total liabilities		833,155	711,003
TOTAL EQUITY AND LIABILITIES		1,263,257	1,122,363

Dubai Insurance Company (P.S.C.) and its subsidiary
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27 RISK MANAGEMENT (continued)

(e) Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority (continued)

The table below summarises the operating activities of the life assurance class of business of the Group

	<i>Notes</i>	<i>2018 AED'000</i>	<i>2017 AED'000</i>
UNDERWRITING INCOME			
Insurance premium revenue	3	4,783	6,320
Reinsurers' share of premium	3	(3,784)	(4,899)
Net insurance premium revenue	3	999	1,421
Reinsurance commission income		85	430
Other income		-	-
		1,084	1,851
UNDERWRITING EXPENSES			
Claims incurred	4	3,321	1,875
Reinsurers' share of claims incurred	4	(2,997)	(1,691)
Net claims incurred	4	324	184
Commission expenses		441	630
Other direct expenses		16	-
General and administration expenses relating to underwriting activities***		252	258
		1,033	1,072
NET UNDERWRITING INCOME			
Other operating expenses		(23)	(23)
PROFIT FOR THE YEAR			
		28	756
Net loss on revaluation of investments through other comprehensive income		(2,029)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR			
		(2,001)	756

*** General and administration expenses are allocated between both classes of business in proportion with the gross written premiums in respective classes of business as agreed by the management.

Dubai Insurance Company (P.S.C.) and its subsidiary
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27 RISK MANAGEMENT (continued)

(e) Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority (continued)

The table below summarises the assets and liabilities of the life assurance class of business of the Group.

	<i>Notes</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i>
ASSETS			
Financial instruments		52,305	54,335
Reinsurance assets		4,876	3,825
Insurance receivables	14	1,094	1,652
Statutory deposits		4,000	4,000
Cash and cash equivalents		1,529	265
TOTAL ASSETS		63,804	64,077
EQUITY AND LIABILITIES			
Equity			
Cumulative changes in fair value of investments		30,819	32,848
Reserve for life Segment		25,125	25,836
Total equity		55,944	58,684
Liabilities			
Employees' end of service benefits		18	15
Insurance contract liabilities		5,358	4,202
Reinsurance balances payable		1,281	680
Insurance and other payables	24	1,203	496
TOTAL LIABILITIES		7,860	5,393
TOTAL EQUITY AND LIABILITIES		63,804	64,077

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

27A Insurance risk

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

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

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly property, motor, marine, medical, group life and personal accident risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Dubai Insurance Company (P.S.C.) and its subsidiary
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27 RISK MANAGEMENT (continued)

27A Insurance risk (continued)

Frequency and amounts of claims (continued)

Property

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties. For property insurance contracts the main risks are fire and business interruption. In recent years the Group has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Group has reinsurance cover for such damage to limit losses for any individual claim to AED 1,000 thousand (2017: AED 1,000 thousand).

Motor

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Group has reinsurance cover for such claims to limit losses for any individual claim to AED 200 thousand (2017: AED 200 thousand). The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine

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

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Group has reinsurance to limit losses for any individual claim to AED 125 thousand (2017: AED 125 thousand).

Medical, group life and personal accident

Medical insurance is designed to compensate the contract holders for medical costs. Group life and personal accident insurance entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability.

For medical insurance, the main risks are illness and related healthcare costs. For group life and personal accident the main risks are claims from death and permanent or partial disability. The Group generally does not offer medical insurance to walk-in customers. Medical, group life and personal accident insurance are generally offered to corporate customers with large population to be covered under the policy.

Reinsurance risk

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

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group deals with reinsurers approved by the Board of Directors.

The five largest reinsurers account for 79% of amounts due from reinsurance companies at 31 December 2018 (2017: 88%). The maximum theoretical credit risk exposure in this connection is mainly in Europe.

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 RISK MANAGEMENT (continued)

27B Financial risk

The Group's principal financial instruments include financial assets and financial liabilities which comprise financial investments (at fair value through profit or loss and / or other comprehensive income), receivables arising from insurance and reinsurance contracts, statutory deposits, cash and cash equivalents, trade and other payables, and reinsurance balance payables.

The Group does not enter into derivative transactions.

The main risks arising from the Group's financial instruments are credit risk, geographical risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the consolidated statement of financial position.

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

- The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's investments at fair value through profit or loss or OCI are managed by the Chief Executive Officer in accordance with the guidance of the Chairman and the supervision of the Board of Directors.
- The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

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

	<i>Notes</i>	<i>2018</i> <i>AED'000</i>	<i>2017</i> <i>AED'000</i> <i>Restated</i>
Financial instruments		86,969	148,510
Reinsurance assets	23	478,625	421,977
Insurance receivables	14	247,737	175,536
Other receivables (excluding prepayments)	15	29,247	15,096
Statutory deposits	16	10,000	10,000
Cash and cash equivalents		77,385	28,059
Total credit risk exposure		929,963	799,178

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

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes.

Insurance receivables comprise a large number of customers and insurance companies mainly within the United Arab Emirates. Reinsurance assets are from reinsurance companies based mainly in Europe and the Middle East.

Dubai Insurance Company (P.S.C.) and its subsidiary
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27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Credit risk (continued)

The Group's financial position can be analysed by the following geographical regions:

	2018			2017		
	<i>Assets AED'000</i>	<i>Liabilities and equity AED'000</i>	<i>Contingent liabilities and commitments AED'000</i>	<i>Assets AED'000 Restated</i>	<i>Liabilities and equity AED'000 Restated</i>	<i>Contingent liabilities and commitments AED'000 Restated</i>
United Arab Emirates	786,705	1,159,065	10,477	664,175	1,067,248	10,423
Europe	311,225	117,808	-	319,240	99,656	-
Rest of the world	229,131	50,188	-	199,365	15,876	-
Total	1,327,061	1,327,061	10,477	1,182,780	1,182,780	10,423

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

31 December 2018

	<i>Neither past due nor impaired</i>				
	<i>High grade AED'000</i>	<i>Standard grade AED'000</i>	<i>Sub-standard grade AED'000</i>	<i>Past due and impaired AED'000</i>	<i>Total AED'000</i>
Financial instruments	-	75,950	11,019	-	86,969
Reinsurance assets	-	478,625	-	-	478,625
Insurance receivables	-	247,737	-	6,410	254,147
Other receivables (excluding prepayments)	29,247	-	-	-	29,247
Statutory deposits	10,000	-	-	-	10,000
Cash and cash equivalents	77,385	-	-	-	77,385
	116,632	802,312	11,019	6,410	936,373
Less: Impairment provision					(6,410)
					929,963

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27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Credit risk (continued)

31 December 2017

	<i>Neither past due nor impaired</i>				<i>Total AED'000 Restated</i>
	<i>High grade AED'000 Restated</i>	<i>Standard grade AED'000 Restated</i>	<i>Sub-standard grade AED'000 Restated</i>	<i>Past due and impaired AED'000 Restated</i>	
Financial instruments	-	148,510	11,019	-	159,529
Reinsurance assets	-	421,977	-	-	421,977
Insurance receivables	-	175,536	-	5,410	180,946
Other receivables (excluding prepayments)	11,436	-	-	-	11,436
Statutory deposits	10,000	-	-	-	10,000
Cash and cash equivalents	28,058	-	-	-	28,058
	<u>49,494</u>	<u>746,023</u>	<u>11,019</u>	<u>5,410</u>	<u>811,946</u>
Less: Impairment provision					<u>(5,410)</u>
					<u>806,536</u>

The following table provides an ageing analysis of receivables arising from insurance and reinsurance contracts past due but not impaired:

	<i>Past due but not impaired</i>						<i>Total AED'000</i>	<i>Past due and impaired AED'000</i>	<i>Total AED'000</i>
	<i>Neither past due nor impaired AED'000</i>	<i>90 days AED'000</i>	<i>91 to 180 days AED'000</i>	<i>181 to 270 days AED'000</i>	<i>271 to 365 days AED'000</i>	<i>> 365 days AED'000</i>			
2018	47,414	65,243	36,521	31,762	42,132	31,075	254,147	(6,410)	247,737
2017	24,526	67,446	34,706	17,270	11,344	25,654	180,946	(5,410)	175,536

For assets to be classified as 'past due and impaired' the contractual payments in arrears are more than 180 days and an impairment adjustment is recorded in the consolidated statement of income for this. When the credit exposure is adequately secured or when management is confident of settlement, arrears more than 180 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

Geographical risk

The Group has geographical risk exposure. Such exposure arises from investments, cash and cash equivalents and insurance contracts concentrated within certain geographical areas. The investments and cash and cash equivalents are primarily with local companies and financial institutions. The risk arising from insurance contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to previous year.

In accordance with the requirement of the Securities and Commodities Authority (Circular dated 12-10-2011) following are the details of the geographical concentration of assets in the Group's consolidated financial statements as of 31 December 2018:

(a) **Investment property**

Investment property represents the Group's investment in a freehold land and building situated in the Emirate of Dubai, United Arab Emirates.

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27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Geographical risk (continued)

(b) Financial instruments – investments

Investments in financial assets represent investments in quoted and unquoted shares of companies incorporated in the United Arab Emirates and investments in bonds issued locally and outside United Arab Emirates.

(c) Cash and cash equivalents

Cash and cash equivalents of the Group are with banks registered and operating in the United Arab Emirates and in Europe.

Currency risk

The Group also has transactional currency exposures. Such exposure arises from investments in securities and reinsurance transactions in currencies other than the Group's functional currency.

At 31 December, the Group's exposure to foreign currency risk was as follows:

		2018 AED'000	2017 AED'000
Debt instruments at amortised cost	- US Dollars	40,737	86,964
Insurance receivables	- US Dollars	15,608	(1,547)
	- Euro	2,863	1,538
	- GBP	(151)	99
	- Others	1,677	224
Other receivables	- US Dollars	2,584	936
Cash and cash equivalents	- US Dollars	7,539	7,476
	- Euro	1,347	1,513
	- GBP	594	789
	- Others	2	2
Reinsurance balances payable	- US Dollars	4,669	1,941
	- Euro	2,821	2,610
	- GBP	295	155
	- Others	879	171
Other creditors and accruals	- US Dollars	7,517	6,939
	- Euro	2,239	1,201
	- GBP	5	346
	- Others	337	(167)

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

	<i>Increase in exchange rate</i>	<i>Effect on profit AED'000</i>
31 December 2018		
Assets		
US Dollars	+5%	3,323
Euro	+5%	211
GBP	+5%	22
Others	+5%	84
Liabilities		
US Dollars	+5%	609
Euro	+5%	253
GBP	+5%	15
Others	+5%	61

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Currency risk (continued)

	<i>Increase in exchange rate</i>	<i>Effect on profit AED'000</i>
<i>31 December 2017</i>		
<i>Assets</i>		
US Dollars	+5%	4,691
Euro	+5%	153
GBP	+5%	44
Others	+5%	11
<i>Liabilities</i>		
US Dollars	+5%	444
Euro	+5%	191
GBP	+5%	25
Others	+5%	-

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As at 31 December 2018

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with insurance contracts and financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise

The table below summarises the maturity of the assets and liabilities of the Group based on remaining contractual settlement dates.

	31 December 2018			31 December 2017		
	Less than one year AED '000	More than one year AED '000	No Term AED '000	Less than one year AED '000 Restated	More than one year AED '000 Restated	Total AED '000 Restated
ASSETS						
Property and equipment	-	-	47,189	-	-	46,681
Investment property	-	-	20,032	-	-	1,670
Advance for investment property	-	-	14,154	-	-	21,258
Financial instruments	46,232	40,737	313,857	65,900	86,964	463,062
Reinsurance assets	478,625	-	-	421,977	-	421,977
Insurance receivables	247,737	-	-	175,536	-	175,536
Prepayments and other assets	31,113	-	-	18,188	-	18,188
Statutory deposits	-	-	10,000	-	-	10,000
Cash and cash equivalents	77,385	-	-	28,068	-	28,068
TOTAL ASSETS	881,092	40,737	405,232	709,669	86,964	1,186,440

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27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Liquidity risk (continued)

	31 December 2018			31 December 2017				
	<i>Less than one year AED'000</i>	<i>More than one year AED'000</i>	<i>No Term AED'000</i>	<i>Total AED'000</i>	<i>Less than one year AED'000 Restated</i>	<i>More than one year AED'000 Restated</i>	<i>No Term AED'000 Restated</i>	<i>Total AED'000 Restated</i>
EQUITY AND LIABILITIES								
Equity								
Share capital	-	-	100,000	100,000	-	-	100,000	100,000
Statutory reserve	-	-	50,000	50,000	-	-	50,000	50,000
General reserve	-	-	13,000	13,000	-	-	13,000	13,000
Retained earnings	-	-	159,978	159,978	-	-	137,683	137,683
Cumulative change in fair value reserve	-	-	163,068	163,068	-	-	169,361	169,361
Total equity	-	-	486,046	486,046	-	-	470,044	470,044
Liabilities								
Bank loan (excluding future interest)	-	10,845	-	10,845	-	44,456	-	44,456
Employees' end of service benefits	-	3,837	-	3,837	-	3,503	-	3,503
Insurance contract liabilities	550,919	-	-	550,919	518,643	-	-	518,643
Amounts held under reinsurance treaties	40,016	-	-	40,016	30,681	-	-	30,681
Reinsurance balances payable	150,524	-	-	150,524	75,141	-	-	75,141
Trade and other payables	84,874	-	-	84,874	43,972	-	-	43,972
Total liabilities	826,333	14,682	-	841,015	668,437	47,959	-	716,396
TOTAL EQUITY AND LIABILITIES	826,333	14,682	486,046	1,327,061	668,437	47,959	470,044	1,186,440

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Interest rate risk

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

The Group is exposed to interest rate risk on certain of its investment in financial instruments held at fair value though profit or loss, designated upon initial recognition, statutory deposits and bank loan. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments and borrowings are denominated.

Interest rate sensitivity

The effective interest rates for all major classes of interest bearing financial instruments as at 31 December, are as follows:

31 December 2018

	<i>Total AED'000</i>	<i>Effective interest rate %</i>
Time deposits	46,232	2.25% to 3.35%
Bank loan	(10,845)	3 Month USD Libor plus 1.1%
	<u>35,387</u>	
<i>31 December 2017</i>		
Time deposits	61,546	2 % to 5.25%
Bank loan	(44,456)	3 months USD Libor plus 1.1%
	<u>17,090</u>	

There is no significant difference between contractual reprising or maturity dates.

The following table demonstrates the sensitivity of consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2018.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit for the year AED'000</i>
2018	5	18
	-10	(35)
 2017	 5	 9
	 -10	 (17)

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27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Equity price risk

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

The effect on equity (as a result of a change in the fair value of equity instruments held as financial assets at fair value through others comprehensive income at 31 December 2018) and on consolidated statement of income (as a result of changes in value of financial assets through profit or loss) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2018			2017		
	<i>Change in equity price</i> %	<i>Effect on equity</i> AED'000	<i>Effect on income statement</i> AED'000	<i>Change in equity price</i> %	<i>Effect on equity</i> AED'000	<i>Effect on income statement</i> AED'000
All investments – (Mainly Dubai Financial Market and Abu Dhabi Stock Market)	10	27,969	398	10	28,571	435

27C Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

28 CONTINGENCIES

Contingent liabilities

At 31 December 2018 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED10,477 thousand (2017: AED 10,423 thousand).

Legal claims

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

Capital commitments

At 31 December, the Group's capital commitment on investment properties is payable as follows:

	2018 AED'000	2017 AED'000
Less than 1 year	1,472	11,258
Between one and two years	-	1,472
	<u>1,472</u>	<u>12,730</u>