DUBAI NATIONAL INSURANCE & REINSURANCE P.S.C.

DUBAI - UNITED ARAB EMIRATES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Directors' Report

On behalf of the Board of Directors, I am pleased to welcome you to this General Assembly of Dubai National Insurance & Reinsurance PSC, and to present its twenty fifth annual report and accounts for the financial year 2016.

The outlook of the Insurance sector is directly linked to the nation's overall economic health. The UAE Insurance industry has experienced a steady growth on account of economic development, improved regulatory environment and increased product awareness. The various regulations introduced by the UAE Insurance Authority seeks to strengthen the sector in particular areas, such as capital adequacy, assets quality and reserve adequacy along with providing more transparency to the marketplace. The recent announcement of the unified regulation for vehicle insurance policies against civil liability and against loss and damage for motor insurance is a positive step by the Authority in this direction.

The year 2016 was very special as your company has completed its 25 years anniversary of successful insurance service since its establishment in 1991. During this period, the scope of the company's services and investment activities showed a tremendous growth in many respects including product mix and volume, customer base, organizational capacity and financial strength. Profits are sourced from robust technical earnings and excellent investment returns, thereby consistently providing an average 10% return on its shareholders equity - which is above the weighted average return on equity of all UAE insurers.

Your Company has produced another year of sound operating performance in an environment of increasingly competitive conditions, and we are pleased to report the results for the year 2016 as below:

- Gross Written Premiums is AED 260.123 Million (AED 225.436 Million in Year 2015).
- The Net Underwriting Income is AED 36.392 Million (AED 34.464 Million in Year 2015)
- The Net profit of the company is AED 44.033 Million (AED 40.811 Million in Year 2015)

The Board is pleased to recommend to the shareholders a cash dividend of 25 % - AED 28.875 Million

The Board takes this opportunity to thank our valued customers and the shareholders for entrusting their confidence in us and the management and employees for their hard work and dedication towards the consistent growth of the company

Mohammed Khalaf Al Habtoor
Managing Director

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Independent Auditors' Report
To the Shareholders of Dubai National Insurance & Reinsurance P.S.C

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Dubai National Insurance & Reinsurance (P.S.C) (the "Company"), which comprise the statement of financial position as at 31 December 2016, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, supplementary statement of financial position - life insurance as at 31 December 2016, supplementary income statement - life insurance for the year then ended, supplementary statement of financial position - general insurance as at 31 December 2016, supplementary income statement - general insurance for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditors' Report
To the Shareholders of Dubai National Insurance & Reinsurance P.S.C (continued)

Key Audit Matters (continued)

i) Valuation of insurance contract liabilities

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

We assessed management's calculations of the insurance contract liabilities by performing the following procedures:

- We tested the underlying company data to source documentation;
- We applied our industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices;
- Understood and tested the governance process in place to determine the insurance contract liabilities, including testing the associated financial reporting control framework;
- We performed independent re-computations on selected classes of business, particularly focusing on the largest and most uncertain reserves. For these classes we compared our re-computed claims reserves to those booked by management, and sought to understand any significant differences; and
- For the remaining classes we evaluated the methodology and assumptions, or performed a diagnostic check to identify and follow up any anomalies.

Based on the work performed, we considered the methodology and assumptions used by management to be appropriate.

ii) Valuation of investment in unquoted securities

The Company holds investments in unquoted equity securities of three entities as at 31 December 2016 (2015: three entities) which amount to AED 60.9 million representing 16% of the total amount of its investment in securities as disclosed in note 7 to the financial statements. The valuation of these unquoted equity securities was carried out by an independent valuer and involved judgement in selecting the valuation basis for each investment and further judgement in performing the valuation when the latest market and financial data was not observable. Therefore, the valuation of these unquoted equity securities was significant to our audit.

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Independent Auditors' Report
To the Shareholders of Dubai National Insurance & Reinsurance P.S.C (continued)

Key Audit Matters (continued)

ii) Valuation of investment in unquoted securities (continued)

Our audit procedures, among others, included:

- Discussion with the independent valuer to understand the basis of valuation for each investment and other judgements used in performing the valuation;
- Assessing the appropriateness of the underlying data, pricing methodologies and assumptions used;
- We involved our own valuation specialist to assist us in performing our procedures in this area; and
- We assessed whether the Company's disclosures in relation to the valuation of these unquoted equity securities are compliant with the relevant accounting requirements.

Based on the work performed, we considered the assumptions used by management and related disclosures in the financial statements to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the *Directors' Report*, but does not include the financial statements and our auditors' report thereon.

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

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

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

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

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

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

Independent Auditors' Report
To the Shareholders of Dubai National Insurance & Reinsurance P.S.C (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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Independent Auditors' Report

To the Shareholders of Dubai National Insurance & Reinsurance P.S.C (continued)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations and UAE Federal Law No. (2) of 2015, we report that:

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

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No. (2) of 2015;

iii) the Company has maintained proper books of account;

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

v) as disclosed in note 7 to the financial statements, the Company has purchased certain shares during the year ended 31 December 2016;

vi) note 10 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

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 2016 any of the applicable provisions of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No.(2) of 2015 or of its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2016.

Grant Thornton

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

GRANT THORNTON

Farouk Mohamed
Registered Auditor Number: 86
Dubai- 31 January 2017

Statement of financial position
As at December 31, 2016

	Notes	2016	2015
ASSETS		**AED'000**	AED'000
Non-current assets			
Statutory deposits	4	**10,000**	10,000
Property and equipment	5	**770**	928
Investment property	6	**79,595**	81,447
		90,365	92,375
Current assets			
Financial assets at fair value through other comprehensive income	7	**372,316**	328,506
Insurance receivables	8	**43,619**	39,036
Other receivables	9	**3,884**	3,747
Due from related parties	10	**13,386**	4,597
Reinsurance contract assets	11	**133,033**	110,798
Cash and cash equivalents	12	**110,004**	90,974
		676,242	577,658
TOTAL ASSETS		**766,607**	670,033
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**115,500**	115,500
Legal reserve	14	**57,750**	57,750
Obligatory reserve	15	**28,875**	28,875
General reserve	16	**180,000**	180,000
Fair value reserve on financial assets at fair value through other comprehensive income		**51,045**	8,781
Retained earnings		**33,563**	16,456
TOTAL EQUITY		**466,733**	407,362
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	17	**4,348**	3,635
Current liabilities			
Insurance contract liabilities	11	**211,458**	177,694
Insurance payables	18	**50,893**	45,456
Other payables	19	**23,120**	27,289
Due to related parties	10	**10,055**	8,597
		295,526	259,036
TOTAL LIABILITIES		**299,874**	262,671
TOTAL EQUITY AND LIABILITIES		**766,607**	670,033

These financial statements were approved by the Board of Directors on 31 January 2017 and signed on their behalf by:

Mohammed Khalaf Al Habtoor
Managing Director

Sultan Ahmad Al Habtoor
Vice Chairman

The supplementary statements and notes from 1 to 34 form an integral part of these financial statements.

Income statement
For the year ended December 31, 2016

	Notes	2016 AED'000	2015 AED'000
Gross premiums		260,123	225,436
Reinsurance share of premiums		(160,499)	(140,119)
Net premiums		99,624	85,317
Net transfer to unearned premium reserve	11 (a)	(9,493)	(11,818)
Net premiums earned		90,131	73,499
Commission earned		24,045	21,946
Commission paid		(27,811)	(24,102)
Others		3,769	5,177
Gross underwriting income		90,134	76,520
Gross claims paid		138,093	117,255
Reinsurance share		(86,387)	(76,307)
Net claims paid		51,706	40,948
Provision for outstanding claims and technical provisions		8,334	(2,415)
Reinsurance share of outstanding claims and technical provisions		(6,298)	3,523
Net claims incurred		53,742	42,056
Net underwriting income		36,392	34,464
Income from investments – net	20	19,857	17,782
Income from investment property – net	21	10,294	9,763
Other income	22	75	24
Gross income		66,618	62,033
General and administrative expenses	23	(22,585)	(21,222)
Net profit for the year		44,033	40,811
		AED	AED
Earnings per share:			
Basic and diluted	24	0.38	0.35

The supplementary statements and notes from 1 to 34 form an integral part of these financial statements.

Statement of comprehensive income
For the year ended December 31, 2016

	2016 AED'000	2015 AED'000
Net profit for the year	**44,033**	40,811
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Net unrealised profit/(loss) on financial assets at fair value through other comprehensive income	**42,264**	(29,508)
Total comprehensive income for the year	**86,297**	11,303

The supplementary statements and notes from 1 to 34 form an integral part of these financial statements.

Statement of changes in equity
For the year ended December 31, 2016

	Share capital AED'000	Legal reserve AED'000	Obligatory reserve AED'000	General reserve AED'000	Fair value reserve on financial assets at fair value through other comprehensive income AED'000	Retained earnings AED'000	Total equity AED'000
Balance as at January 1, 2015	115,500	57,750	28,875	220,000	38,289	(37,751)	422,663
Dividend (note 26)	-	-	-	-	-	(23,100)	(23,100)
Transfers from general reserve to retained earnings (note 16)	-	-	-	(40,000)	-	40,000	
Directors' remuneration	-	-	-	-	-	(3,504)	(3,504)
Transactions with owners	-	-	-	(40,000)	-	13,396	(26,604)
Net profit for the year	-	-	-	-	-	40,811	40,811
Net unrealised loss on financial asset at fair value through other comprehensive income	-	-	-	-	(29,508)	-	(29,508)
Total comprehensive income for the year	-	-	-	-	(29,508)	40,811	11,303
Balance as at December 31, 2015	115,500	57,750	28,875	180,000	8,781	16,456	407,362
Dividend (note 26)	-	-	-	-	-	(23,100)	(23,100)
Directors' remuneration	-	-	-	-	-	(3,826)	(3,826)
Transactions with owners	-	-	-	-	-	(26,926)	(26,926)
Net profit for the year	-	-	-	-	-	44,033	44,033
Net unrealised profit on financial asset at fair value through other comprehensive income	-	-	-	-	42,264	-	42,264
Total comprehensive income for the year	-	-	-	-	42,264	44,033	86,297
Balance as at December 31, 2016	115,500	57,750	28,875	180,000	51,045	33,563	466,733

The supplementary statements and notes from 1 to 34 form an integral part of these financial statements.

Statement of cash flows
For the year ended December 31, 2016

	Notes	2016 AED'000	2015 AED'000
Cash flows from operating activities			
Net profit for the year		44,033	40,811
Adjustments for:			
Depreciation on property and equipment	5	462	358
Depreciation on investment property	6	1,852	1,847
Gain on disposal of property and equipment	22	(75)	(24)
Provision for employees' end of service benefits	17	1,055	620
Insurance contract provisions		33,764	16,035
Reinsurance contract assets		(22,235)	(3,109)
Income from investments – net	20	(19,857)	(17,782)
Income from investment property		(12,146)	(11,611)
Operating cash flows before changes in working capital		26,853	27,145
Changes in working capital:			
Statutory deposits		-	268
Insurance receivables		(4,583)	(1,545)
Other receivables		(137)	(1,757)
Insurance payables		5,437	4,915
Other payables		(7,995)	1,587
Due from/(to) related parties – net		(7,331)	3,785
Cash generated from operations		12,244	34,398
Employees' end of service benefits paid	17	(342)	(24)
Net cash generated from operating activities		11,902	34,374
Cash flows from investing activities			
Purchase of property and equipment	5	(304)	(502)
Purchase of financial assets at fair value through other comprehensive income		(1,546)	(22,532)
Proceeds from disposals of property and equipment		75	27
Income from investments – net	20	19,857	17,782
Income from investment property		12,146	11,611
Net cash generated from investing activities		30,228	6,386
Cash flows from financing activity			
Dividend paid	26	(23,100)	(23,100)
Net cash used in financing activity		(23,100)	(23,100)
Net change in cash and cash equivalents		19,030	17,660
Cash and cash equivalents at beginning of the year		90,974	73,314
Cash and cash equivalents at end of the year	12	110,004	90,974

The supplementary statements and notes from 1 to 34 form an integral part of these financial statements.

Supplementary statement of financial position – Life insurance
As at December 31, 2016

	2016 AED'000	2015 AED'000
ASSETS		
Non-current assets		
Statutory deposits	4,000	4,000
Current assets		
Insurance receivables	760	1,664
Due from related parties	68	-
Reinsurance contract assets	2,860	2,194
Cash and cash equivalents	907	-
	4,595	3,858
TOTAL ASSETS	8,595	7,858
EQUITY AND LIABILITIES		
Equity		
Net funds transferred from/(to) General Insurance	4,513	(96)
TOTAL EQUITY	4,513	(96)
LIABILITIES		
Non-current liabilities		
Employees' end of service benefits	17	-
Current liabilities		
Insurance contract liabilities	3,903	3,021
Insurance payables	146	4,933
Due to related parties	16	
	4,065	7,954
TOTAL LIABILITIES	4,082	7,954
TOTAL EQUITY AND LIABILITIES	8,595	7,858

Supplementary income statement – Life insurance
For the year ended December 31, 2016

	2016 AED'000	2015 AED'000
Gross premiums	4,108	6,206
Reinsurance share of premiums	(2,552)	(4,635)
Net premiums	1,556	1,571
Net transfer to unearned premium reserve	2	(41)
Net premiums earned	1,558	1,530
Commission earned	3	315
Commission paid	(376)	(414)
Others	485	19
Gross underwriting income	1,670	1,450
Gross claims paid	1,823	1,133
Reinsurance share	(1,524)	(942)
Net claims paid	299	191
Provision for outstanding claims and technical provisions	971	547
Reinsurance share of outstanding claims and technical provisions	(753)	(443)
Net claims incurred	517	295
Net underwriting income	1,153	1,155
Income from investments – net	-	-
Income from investment property – net	-	-
Other income	-	-
Gross income	1,153	1,155
General and administrative expenses	(648)	(927)
Net profit for the year	505	228

Supplementary statement of financial position – General insurance
As at December 31, 2016

	2016	2015
ASSETS	**AED'000**	AED'000
Non-current assets		
Statutory deposits	6,000	6,000
Property and equipment	770	928
Investment property	79,595	81,447
	86,365	88,375
Current assets		
Financial assets at fair value through other comprehensive income	372,316	328,506
Insurance receivables	42,859	37,372
Other receivables	3,884	3,747
Due from related parties	13,318	4,597
Reinsurance contract assets	130,173	108,604
Cash and cash equivalents	109,097	90,974
	671,647	573,800
TOTAL ASSETS	758,012	662,175
EQUITY AND LIABILITIES		
Equity		
Share capital	115,500	115,500
Legal reserve	57,750	57,750
Obligatory reserve	28,875	28,875
General reserve	180,000	180,000
Fair value reserve on financial assets at fair value through other comprehensive income	51,045	8,781
Net funds transferred (to) / from Life Insurance	(4,513)	96
Retained earnings	33,563	16,456
TOTAL EQUITY	462,220	407,458
LIABILITIES		
Non-current liabilities		
Employees' end of service benefits	4,331	3,635
Current liabilities		
Insurance contract liabilities	207,555	174,673
Insurance payables	50,747	40,523
Other payables	23,120	27,289
Due to related parties	10,039	8,597
	291,461	251,082
TOTAL LIABILITIES	295,792	254,717
TOTAL EQUITY AND LIABILITIES	758,012	662,175

Supplementary income statement – General insurance
For the year ended December 31, 2016

	2016 AED'000	2015 AED'000
Gross premiums	256,015	219,230
Reinsurance share of premiums	(157,947)	(135,484)
Net premiums	98,068	83,746
Net transfer to unearned premium reserve	(9,495)	(11,777)
Net premiums earned	88,573	71,969
Commission earned	24,042	21,631
Commission paid	(27,435)	(23,688)
Others	3,284	5,158
Gross underwriting income	88,464	75,070
Gross claims paid	136,270	116,122
Reinsurance share	(84,863)	(75,365)
Net claims paid	51,407	40,757
Provision for outstanding claims and technical provisions	7,363	(2,962)
Reinsurance share of outstanding claims and technical provisions	(5,545)	3,966
Net claims incurred	53,225	41,761
Net underwriting income	35,239	33,309
Income from investments – net	19,857	17,782
Income from investment property – net	10,294	9,763
Other income	75	24
Gross income	65,465	60,878
General and administrative expenses	(21,937)	(20,295)
Net profit for the year	43,528	40,583

1 Legal status and activities

Dubai National Insurance & Reinsurance (P.S.C.) (the "Company") is a public shareholding company incorporated in Dubai on January 6, 1992 with an overseas branch in Beirut, Lebanon.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the United Arab Emirates ("U.A.E.") Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations relating to insurance companies and insurance agents.

The registered address of the Company is at Floor 7 & 9, Dubai National Insurance Building, Port Saeed, P.O Box 1806, Dubai, U.A.E.

The total number of staff employed by the Company as at December 31, 2016 was 102 (2015: 103).

The overseas branch in Beirut is in the process of being wound up. Its license as required by local regulations has been terminated and it will be shut down once it meets all its obligations as published in the official gazette dated April 2004. The branch has no operations and the total expenses and assets of the branch are not material to these financial statements. Hence, these financial statements do not separately disclose the expenses, assets, liabilities and cash flows for the discontinued operations of the branch.

2 Statement of compliance with IFRS

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

2.1 Standards, interpretations and amendments to existing standards

a) Standards, interpretations and amendments to existing standards that are effective in 2016

Following relevant amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 1, 2016 and have been adopted by the Company:

Standard number	Title	Effective date
IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets – Amendments	January 1, 2016
	<u>Annual Improvements 2012 – 2014</u>	
IAS 34	Interim Financial Reporting – Amendments	January 1, 2016
IFRS 7	Financial Instruments: Disclosures – Amendments	January 1, 2016

2 Statement of compliance with IFRS (continued)

2.1 Standards, interpretations and amendments to existing standards (continued)

b) Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, the following relevant new standards and amendments to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Standard number	Title	Effective date
IFRS 9	Financial Instruments – Amendments	January 1, 2018
IFRS 16	Leases – New	January 1, 2019

Management anticipates that all of the above mentioned amendments will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on these relevant amendments that are not yet effective have been provided below. The Company's management has yet to assess the impact of these amendments on the Company's financial statements, unless specifically stated.

IFRS 9 Financial Instruments – Amendments (effective for accounting period beginning on or after January 1, 2018)

In July 2014, the IASB issued the final version of IFRS 9 'Financial Instruments' which reflects all phases of the financial instruments project and replaces IAS 39 'Financial Instruments: Recognition and Measurement' and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

Classification and measurement

Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a manner similar to IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment

The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting

Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition

The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is effective for accounting period beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

2 Statement of compliance with IFRS (continued)

2.1 Standards, interpretations and amendments to existing standards (continued)

c) Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company (continued)

IFRS 9 Financial Instruments – Amendments (effective for accounting period beginning on or after January 1, 2018) (continued)

As the Company has already adopted the 2009 version of IFRS 9, management is in the process of assessing the impact of these amendments to this standard on the Company's financial statements.

IFRS 16 Leases – Amendments (effective for accounting period beginning on or after January 1, 2019)

IFRS 16 'Leases' brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

3 Summary of significant accounting policies

3.1 Accounting convention

These financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are described in more detail in the accounting policies.

3.2 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

The rates of depreciation used are based on the following estimated useful lives of the assets:

	Years
Furniture and fixtures	4-11
Motor vehicles	3
Computer equipment	4

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the assets and are recognised in profit or loss within 'other income'.

3 Summary of significant accounting policies (continued)

3.3 Investment property

Investment property is initially recognised at cost and subsequently accounted for using the cost model. The cost model requires investment property to be stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the investment property which has been estimated to be 40 years.

No depreciation is charged on freehold land.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Fair value of investment property is determined by an independent surveyor only for disclosure purposes.

3.4 Revenue recognition

Gross premiums

Gross premiums and policy fees are recognised as income when insurance policies are issued to the insured, consequent to the acceptance of the risk.

Commission on reinsurance

Commission is recognised at the time the policies are written excluding profit commission which is recognised at the time of settlement.

Interest income

Interest income is recognised on an accrual basis taking into account effective interest rates on the instrument, on a time proportionate basis when it becomes receivable.

Rental income

Rental income from investment property is recognised on a straight line basis over the term of the lease.

Dividend income

Dividend income is recognised when the right to receive payment is established.

3.5 Claims

Claims incurred comprise actual claims and other related costs paid and incurred in the year, and movement in outstanding claims. Claim handling costs are recognised at the time of registering the claims.

On account of uncertainties involved in non-motor claim recoveries, salvage and subrogation rights are recognised only at the time of actual recovery. For motor claim recoveries, salvage is accounted for at the time of registering the claims.

Provision for outstanding claims represents the estimated settlement values of all claims notified, but not settled at the statement of financial position date on the basis of individual case estimates.

The reinsurers' portion towards the above outstanding claims is classified as reinsurance contract assets and shown as current assets in the statement of financial position.

3 Summary of significant accounting policies (continued)

3.6 Provision for IBNR

Provision for Incurred But Not Reported ("IBNR") claims is made at the statement of financial position date based on an actuarial estimate obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Insurance Authority U.A.E.

3.7 Provision for ULAE

Provision for Unallocated Loss Adjustment Expenses (ULAE) which cannot be allocated to specific claims, is made at the statement of financial position date based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Insurance Authority, U.A.E.

3.8 Liability adequacy test

All recognised insurance liabilities including provision for outstanding claims are subject to liability adequacy test at each reporting date. This involves comparison of current estimates of all contractual cash flows attached to these liabilities with their carrying amounts. Estimates of contractual cash flows include expected claim handling costs and recoveries from third parties. Any deficiency in carrying amounts is charged to the income statement by establishing a provision for losses arising from liability adequacy test.

3.9 Unearned Premium Reserve

Unearned Premium Reserve (UPR) represents that portion of premiums earned, gross of reinsurance, which relates to the period of insurance subsequent to the statement of financial position date and is mainly computed on linear method based on the outstanding period from the date of statement of financial position up to the date of the maturity of the policy based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Insurance Authority, U.A.E.

3.10 Reinsurance premium

Ceded reinsurance premiums are accounted for in the same accounting periods in which the premiums for the related direct insurance are recorded and the unearned portion is calculated on linear basis in accordance with reinsurance arrangements in place.

3.11 Reinsurance assets

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

3.12 Financial instruments

a) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished.

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

b) Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, the Company classifies its financial assets into the following categories:

i) Financial assets at amortised cost

Financial assets at amortised cost are those financial assets for which:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Financial assets at amortised cost comprise statutory deposits, cash and cash equivalents, due from related parties and most other receivables.

ii) Financial assets at fair value through other comprehensive income ('FVTOCI')

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable financial data of investees.

Gains or losses on subsequent measurement

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to income statement, but is reclassified to retained earnings.

c) Classification and subsequent measurement of financial liabilities

Financial liabilities comprise amounts due to related parties and most other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

d) Impairment and uncollectability 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 income statement. Impairment is determined as below:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement; and

b) For assets carried at amortised cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the original effective interest rate.

e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.13 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from insurance brokers, re-insurers and insurance contract holders.

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and realises the impairment loss in the income statement.

3.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) is recognised in the period in which the service is rendered.

Provision for employees' end of service benefits

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the U.A.E. Labour Law and is reported as separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in the U.A.E. Labour Law. The expected costs of these benefits are accrued over the period of employment.

3.15 Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3 Summary of significant accounting policies (continued)

3.16 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the income statement. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.17 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits which have original maturities of less than 3 months and are free from lien.

3.19 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

3.20 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other details for reserves are mentioned in notes 14, 15 and 16 to the financial statements.

Accumulated losses include all current and prior period retained profits or losses.

Dividend payable to equity shareholders is included in other liabilities only when the dividend has been approved in a general assembly meeting prior to the reporting date.

3 Summary of significant accounting policies (continued)

3.21 Critical accounting estimates and judgements in applying accounting policies

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Outstanding claims, IBNR, ULAE and UPR

The estimation of the ultimate liability (outstanding claims, IBNR and ULAE) arising from claims and UPR made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events.

Classification of investment property and related fair value judgement

The Company makes judgement to determine whether a property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner occupied property is not significant and is classified accordingly as investment property.

Fair value of investment property is estimated by an independent professional valuer for disclosure purposes only, considering the rental yield (income approach). This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Fair value of unquoted securities

Fair value of unquoted securities has been determined by the management based on Earnings Multiple and Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of respective non-public investees. Actual results may substantially be different. Further information on using the estimates is mentioned in note 7.

Provision for doubtful debts

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of insurance and reinsurance receivables.

3.22 Segment reporting

Under IFRS 8 "Operating Segments", reported segments' profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies used by the Company for segment reporting under IFRS 8 are the same as those used in its financial statements.

4 Statutory deposits

	2016 **AED'000**	2015 AED'000
Held with a local bank in Dubai, U.A.E.	**10,000**	10,000

Statutory deposits held with a local bank in Dubai, U.A.E. represent deposit held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 42 of Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organisation of its Operations relating to insurance companies and brokers. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.

5 Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
Cost				
At January 1, 2016	1,900	427	3,689	6,016
Additions	43	144	117	304
Disposals	(2)	(137)	(47)	(186)
At December 31, 2016	**1,941**	**434**	**3,759**	**6,134**
Accumulated depreciation				
At January 1, 2016	1,795	338	2,955	5,088
Charge for the year	53	104	305	462
Disposals	(2)	(137)	(47)	(186)
At December 31, 2016	**1,846**	**305**	**3,213**	**5,364**
Net book value At December 31, 2016	**95**	**129**	**546**	**770**

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
Cost				
At January 1, 2015	1,837	408	3,320	5,565
Additions	70	59	373	502
Disposals	(7)	(40)	(4)	(51)
At December 31, 2015	1,900	427	3,689	6,016
Accumulated depreciation				
At January 1, 2015	1,741	321	2,716	4,778
Charge for the year	60	57	241	358
Disposals	(6)	(40)	(2)	(48)
At December 31, 2015	1,795	338	2,955	5,088
Net book value At December 31, 2015	105	89	734	928

6 Investment property

	2016 AED '000	2015 AED '000
Cost		
At January 1	105,721	105,721
Accumulated depreciation		
At January 1	24,274	22,427
Charge for the year	1,852	1,847
At December 31	26,126	24,274
Net book value at December 31,	79,595	81,447

On December 31, 2016, Land Sterling Property Consultants and CNC Property Valuation Services LLC, independent and experienced professional valuers estimated the fair value of investment property at AED 190.80 million and AED 214.70 million respectively (2015: Land Sterling Property Consultants estimated the fair value as AED 189.10 million). The valuers hold relevant professional qualifications and experience. Investment property is held for capital appreciation and rental purposes. The Company occupies an insignificant area of 9% (2015: 9%) in the investment property for use in its own business.

7 Financial assets at fair value through other comprehensive income

Financial assets measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

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

The fair values of the financial assets are classified into these three levels as follows:

	Note	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
December 31, 2016					
Investment in quoted securities	(a)	311,413	-	-	311,413
Investment in unquoted securities*	(b)	-	-	60,903	60,903
Net Fair Value		**311,413**	**-**	**60,903**	**372,316**
December 31, 2015					
Investment in quoted securities	(a)	281,333	-	-	281,333
Investment in unquoted securities*	(b)	-	-	47,173	47,173
Net Fair Value		281,333	-	47,173	328,506

* The title of unquoted securities is held by related parties for the beneficial interest of the Company.

7 Financial assets at fair value through other comprehensive income (continued)

(a) Fair values have been determined by reference to their quoted prices at the reporting date. During the year, the Company purchased quoted equity securities amounting to AED 1.55 million (2015: AED 22.53 million).

(b) The Company holds investments in unquoted equity securities of three entities as at December 31, 2016 (2015: three entities). These investments have been fair valued by an independent valuer based on Earnings Multiple and Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of these non-public investees. Unobservable financial data used in determining the fair values of these unquoted securities has been extracted from their latest available audited financial statements for the year ended December 31, 2015 (2015: financial statements for the year ended December 31, 2014).

Management believes that the fair values of these unquoted securities would not be significantly different if the financial data of these non-public investees as at December 31, 2016 could be used based on its availability. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimates is significant.

Movement in financial assets grouped in level 3

The reconciliation of carrying amounts of financial instruments classified within level 3 is as follows:

	2016 AED'000	2015 AED'000
Investments in unquoted securities		
Balance as at January 1	47,173	55,261
Gains or losses recognised in other comprehensive income	13,730	(8,088)
Balance as at December 31	60,903	47,173

8 Insurance receivables

	2016 AED'000	2015 AED'000
Due from policy holders	6,477	5,140
Due from insurance companies	12,839	10,134
Due from reinsurance companies	2,560	934
Due from insurance brokers	24,418	25,484
	46,294	41,692
Provision for doubtful debts	(2,675)	(2,656)
	43,619	39,036

The average credit period is 90 days. Insurance receivables of AED 2.68 million (2015: AED 2.66 million) outstanding over one year, which are impaired and not recoverable, are fully provided.

9 Other receivables

	2016 AED'000	2015 AED'000
Prepayments	3,169	2,825
Accrued interest	249	158
Other receivables	466	764
	3,884	3,747

10 Related party balances

Details of related parties' balances are as follows:

Amounts due from related parties

Related parties due to common directorship

	2016 AED'000	2015 AED'000
Diamond Lease L.L.C.	3,901	1,734
Al Habtoor Theatre LLC	3,344	-
Dubai National Investment Co.	1,856	1,148
The Westin Hotel Al Habtoor City Dubai LLC	1,611	-
Other Habtoor Group companies	2,674	1,715
	13,386	4,597

Amounts due to related parties

	2016 AED'000	2015 AED'000
Related parties due to common ownership		
Al Habtoor Motors Co L.L.C.	10,038	8,505
Other Habtoor Group companies	17	92
	10,055	8,597

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as per IAS 24. These transactions are carried out at terms mutually agreed between the parties.

10 Related party balances (continued)

Details of significant transactions with related parties are shown below:

	2016 AED'000	2015 AED'000
Premiums written	62,892	70,412
Claims paid	10,880	7,790
Commission paid	4,885	7,082
Agency / Non-Agency repairs	43,381	37,767
Salvage sale	-	160
Key management personnel remuneration		
- Short term benefits	2,357	2,003
- Post-employment benefits	344	176
	2,701	2,179

11 Insurance contract liabilities

Assumptions and sensitivities

The process used to determine assumptions for assessing claims provision is reviewed and updated to be consistent with observable market practices and other reliable information to result in most likely expected outcome.

However, considering the nature of business it cannot be predicted with certainty the likely outcome and the actual cost of the claim. But each claim is assessed on a case to case basis depending upon information available and past trends.

An analysis of sensitivity is carried out for various claims which are an indication for establishing the adequacy of the estimation process. The management believes that the liability for claims reported in the statement of financial position is adequate.

Claims development

For all classes of business underwritten by the Company the uncertainty is typically resolved generally within one year except for Motor Insurance where the uncertainty is generally resolved within three years. The following table reflects the cumulative incurred claims notified, IBNR and ULAE for each successive accident year at each statement of financial position date, together with cumulative payments to date:

11 Insurance contract liabilities (continued)

Claims development (continued)

	Accident year					
	2012 & prior AED'000	2013 AED'000	2014 AED'000	2015 AED'000	2016 AED'000	Total AED'000
Estimate of cumulative claims						
At the end of accident year	833,933	82,496	88,097	111,857	142,364	
One year later	822,180	89,927	95,290	122,018	-	
Two years later	814,401	89,503	96,522	-	-	
Three years later	801,608	85,849	-	-	-	
Four years later	799,184	-	-	-	-	
Estimate of cumulative claims	799,184	85,849	96,522	122,018	142,364	**1,245,937**
Cumulative payments to date	778,552	82,676	88,020	111,353	121,229	**1,181,830**
Provision for outstanding claims as on December 31, 2016	20,632	3,173	8,502	10,665	21,135	**64,107**
IBNR and other reserves as on December 31, 2016	8,149	204	305	758	19,822	**29,238**
ULAE reserves as on December 31, 2016	457	60	166	225	955	**1,863**
Gross outstanding claims as on December 31, 2016	29,238	3,437	8,973	11,648	41,912	**95,208**
Reinsurer's share of outstanding claims as on December 31, 2016	17,546	1,642	4,524	7,858	29,167	**60,737**
Net outstanding claims as on December 31, 2016	11,692	1,795	4,449	3,790	12,745	**34,471**
Provision for outstanding claims as on December 31, 2015	31,022	3,163	9,051	8,880	34,758	86,874
Reinsurer's share of outstanding claims as on December 31, 2015	20,046	2,046	4,315	4,894	23,138	54,439

11 Insurance contract liabilities (continued)

		2016			2015		
		Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000	Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000
Unearned premium reserve	(a)	116,250	(72,296)	43,954	90,820	(56,359)	34,461
Insurance contract provisions	(b)	64,107	(46,571)	17,536	57,825	(42,213)	15,612
Provision for IBNR	(c)	29,238	(14,166)	15,072	27,932	(12,226)	15,706
Provision for ULAE	(d)	1,863	-	1,863	1,117	-	1,117
		211,458	(133,033)	78,425	177,694	(110,798)	66,896

a) Unearned premium reserve

		2016			2015		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at January 1	(i)	90,820	(56,359)	34,461	72,427	(49,784)	22,643
Provision made during the year		114,195	(70,706)	43,489	88,302	(54,303)	33,999
Provision released during the year		(88,765)	54,769	(33,996)	(69,909)	47,728	(22,181)
Net movement during the year	(ii)	25,430	(15,937)	9,493	18,393	(6,575)	11,818
Balance as at December 31	(i+ii)	116,250	(72,296)	43,954	90,820	(56,359)	34,461

11 Insurance contract liabilities (continued)

b) Insurance contract provisions

		2016			2015		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at January 1	(i)	57,825	(42,213)	15,612	67,786	(50,949)	16,837
Provision made during the year		144,375	(90,745)	53,630	107,294	(67,571)	39,723
Settled during the year		(138,093)	86,387	(51,706)	(117,255)	76,307	(40,948)
Net movement during the year	(ii)	6,282	(4,358)	1,924	(9,961)	8,736	(1,225)
Balance as at December 31	(i + ii)	64,107	(46,571)	17,536	57,825	(42,213)	15,612

c) Provision for IBNR

		2016			2015		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at January 1	(i)	27,932	(12,226)	15,706	21,503	(7,013)	14,490
Provision made during the year		21,147	(6,075)	15,072	27,932	(12,226)	15,706
Provision released during the year		(19,841)	4,135	(15,706)	(21,503)	7,013	(14,490)
Net movement during the year	(ii)	1,306	(1,940)	(634)	6,429	(5,213)	1,216
Balance as at December 31	(i + ii)	29,238	(14,166)	15,072	27,932	(12,226)	15,706

11 Insurance contract liabilities (continued)

d) Provision for ULAE

		2016			2015		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at January 1	(i)	1,117	-	1,117	-	-	-
Provision made during the year		1,863	-	1,863	1,117	-	1,117
Provision released during the year		(1,117)	-	(1,117)	-	-	-
Net movement during the year	(ii)	746	-	746	1,117	-	1,117
Balance as at December 31	(i + ii)	1,863	-	1,863	1,117	-	1,117

12 Cash and cash equivalents

	2016 AED'000	2015 AED'000
Cash in hand and at banks	**110,004**	90,974

(a) Cash at banks includes AED 0.5 million (2015: AED 0.5 million) converted from Lebanese Lira (LL).

(b) Cash and bank includes short term deposits (3-12 months) with local banks carrying interest ranging from 0.60% - 2.13% (2015: 0.21% - 1.75%) per annum.

13 Share capital

The authorised and issued share capital comprises 115,500,000 fully paid-up shares of AED 1 each:

	2016 No of shares	2016 AED'000	2015 No of shares	2015 AED'000
Balance at December 31	**115,500,000**	**115,500**	115,500,000	115,500

14 Legal reserve

In accordance with the Company's Articles of Association and Article 239 of the Federal Law No. 2 of 2015, a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance on the legal reserve equals 50% of the Company's paid-up share capital. No transfer to legal reserve has been made during the year as it has already reached the minimum of 50% of the paid-up share capital (2015:NIL).

15 Obligatory reserve

In accordance with the Company's Articles of Association, at least 10% of the Company's annual net profits (before directors' fees) must be transferred to a non-distributable obligatory reserve. Such transfers are required until the balance on this reserve equals 25% of the Company's paid-up share capital, or until the transfer is suspended by resolution of the shareholders. No transfer to obligatory reserve has been made during the year as it has already reached the minimum of 25% of the paid-up share capital (2015:NIL).

16 General reserve

This reserve can be utilised for any purpose proposed by the Board of Directors subject to approval by the General Assembly. During 2015, in accordance with the resolution passed by the Board of Directors on December 10, 2015, AED 40 million had been transferred from general reserve to retained earnings which was ratified by the General Assembly on March 7, 2016.

17 Employees' end of service benefits

	2016 AED'000	2015 AED'000
Balance at January 1	**3,635**	3,039
Charge for the year	**1,055**	620
Payments during the year	**(342)**	(24)
Balance at December 31	**4,348**	3,635

18 Insurance payables

	2016 AED'000	2015 AED'000
Trade creditors	**6,130**	7,973
Insurance companies	**6,247**	6,271
Re-insurance companies	**28,438**	21,299
Brokers payable	**4,696**	4,272
Premium reserve withheld	**5,382**	5,641
	50,893	45,456

19 Other payables

	2016 AED'000	2015 AED'000
Accrued expenses	**771**	1,226
Provision for staff benefits	**2,511**	2,549
Directors' remuneration *	**3,826**	3,504
Other payables	**16,012**	20,010
	23,120	27,289

* Directors' remuneration is an appropriation of net profit for the year in accordance with Article 169 of U.A.E Federal Law No. 2 of 2015 and also as per the Articles of Association of the Company.

20 Income from investments - net

	2016 AED'000	2015 AED'000
Dividend income on securities – net	**18,688**	17,144
Interest income – net	**1,169**	638
	19,857	17,782

21 Income from investment property - net

	2016 AED'000	2015 AED'000
Gross rental income	15,585	17,062
Maintenance expenses	(3,439)	(5,452)
Depreciation (note 6)	(1,852)	(1,847)
	10,294	9,763

22 Other Income

	2016 AED'000	2015 AED'000
Gain on disposal of property and equipment	75	24

23 General and administrative expenses

	2016 AED'000	2015 AED'000
Personnel costs	16,409	16,019
Other operational expenses	6,176	5,203
	22,585	21,222

24 Earnings per share

	2016 AED'000	2015 AED'000
Net profit for the year	44,033	40,811
Weighted average number of shares outstanding (note 13)	115,500,000	115,500,000
Earnings per share (AED) - Basic and diluted	0.38	0.35

25 Segment reporting

The Company operates two main business segments: Underwriting and Investments.

Underwriting segment is further classified into General Insurance and Life Insurance. Investments segment comprises Investment Property and Financial Assets. The life insurance provided by the Company is for a period of 12 months and does not include any investment portion.

25 Segment reporting (continued)

	2016 AED'000			2015 AED'000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	260,123	35,741	295,864	225,436	34,932	260,368
Segment result	36,392	30,151	66,543	34,464	27,545	62,009
Unallocated:						
-Other income			75			24
-Admin expenses			(22,585)			(21,222)
Net profit for the year			44,033			40,811
Segment assets	194,692	451,911	646,603	159,106	409,953	569,059
Unallocated assets			120,004			100,974
Total assets			766,607			670,033
Segment liabilities	297,900	1,974	299,874	260,307	2,364	262,671
Unallocated liabilities			-			-
Total liabilities			299,874			262,671

Underwriting results are further classified as follows:

	AED'000		
2016	General business	Life business	Total
Gross premiums written	256,015	4,108	260,123
Gross underwriting income	88,464	1,670	90,134
Net claims incurred	53,225	517	53,742
Net underwriting income	35,239	1,153	36,392
2015			
Gross premiums written	219,230	6,206	225,436
Gross underwriting income	75,050	1,450	76,520
Net claims incurred	41,761	295	42,056
Net underwriting income	33,309	1,155	34,464

26 Proposed dividend

The Board has proposed cash dividend of 25% of paid up share capital, AED 28.8 million (AED 0.25 -- per share) for the year ended December 31, 2016.

During the previous year, the Board proposed a cash dividend of AED 23.1 million (AED 0.20 per share) representing 20% of the paid up capital as at December 31, 2015. This was approved at the Annual General Meeting held on 7 March 2016.

27 Commitments and contingencies

	2016 AED'000	2015 AED'000
Financial guarantee	300	300

Guarantees of AED 0.3 million (2015: AED 0.3 million) issued by banks are secured by way of deposits held.

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

28 Operating lease

Leases as a lessor

The Company has leased out its investment property under various operating leases.

Operating lease rentals receivable are:

	2016 AED'000	2015 AED'000
Due within one year	8,555	9,459
Due within two to five years	4,527	9,803

Leases as a lessee

At the statement of financial position date, there were no major outstanding commitments under non-cancellable operating leases.

29 Capital commitments

At the statement of financial position date, there were no major capital commitments (2015: nil).

30 Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, life, accident health, financial or other perils that may arise from an insurable event.

The Company also has exposure to market risk through its insurance and investment activities. The Company manages the risk through well laid out procedures and delegation levels for both underwriting and settlement of claims.

The Company has structured policies for acceptance and pricing risks. Experienced and qualified professionals undertake the assessment of risks and pricing, with a conservative and cautious approach. Survey, risk measurement, sensitivity analysis, reinsurance term etc., are followed meticulously before acceptance of risk. Apart from these study of portfolio, probability, market trend, past history are all considered for pricing.

Underwriting strategy

This involves the Company's own risk assessment procedures and is based on a balanced portfolio. It is set out in terms of industry, type of exposures, limits for each class, and quality of risks with acceptance levels. This is percolated down to the lower levels of the underwriting sections with the authorities specified along with their limits. Risk selection is set out as per the Company's risk management policies.

Managing reinsurance risk

The Company carries reinsurance cover to minimise exposure to potential losses arising from large insurance claims and consequently in the normal course of business enters into arrangements with other parties for reinsurance purposes. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance arrangements.

This reinsurance is through proportional treaty and facultative reinsurance contracts. The reinsurers are selected based on their standing in the market, rating, relationship experience and length of association.

Reinsurance recoverable is monitored on a regular basis and through exchange of statements which are duly reconciled.

Terms and conditions of insurance contracts

Insurance contracts are based on uncertainty. As such the terms and conditions of insurance contracts varies but are generally based on norms as applied in the Insurance Market.

Sensitivity of underwriting profits and losses

The contribution from insurance operations to the profit of the Company amounts to AED 36.392 million for the year ended December 31, 2016 (2015: AED 34.464 million)

The Company does not foresee any major impact from insurance operations on account of the following:

- The overall risk retention level of the Company in the year ended December 31, 2016 is 38% (2015: 38%). The Company has initiated series of enterprise-wide risk management measures which includes acceptance and transfer of risks. Appropriate Excess of Loss protections have been designed and placed. The insurance liabilities of the Company are being adequately covered by Treaty/Facultative arrangements with rated reinsurance companies and Excess of Loss reinsurance programs to safeguard against any major financial impact.
- The Company's commissions earned from reinsurance placements are consistent and remain a comfortable source of income.
- Because of the low risk retention in all classes of business, the Company does not foresee any serious financial impact in the insurance net profits due to changes in the loss ratios.

31 Financial risk management objectives and policies

The financial assets of the Company include statutory deposits, cash at bank and in hand, other receivables, due from related parties and investments. Financial liabilities include due to related parties and most other payables. Accounting policies for each class of financial assets and liabilities are set out in note 3.

Category-wise assets and liabilities

Year - 2016

	Financial instruments			
Assets	At amortised cost AED'000	FVTOCI AED'000	Insurance contracts AED'000	Total AED'000
Statutory deposits	10,000	-	-	10,000
Reinsurance contract assets	-	-	133,033	133,033
Cash and cash equivalents	110,004	-	-	110,004
Financial assets at FVTOCI	-	372,316	-	372,316
Insurance receivables	-	-	43,619	43,619
Other receivables	715	-	-	715
Due from related parties	13,386	-	-	13,386
Total financial assets	134,105	372,316	176,652	683,073

Year - 2015

	Financial instruments			
Assets	At amortised cost AED'000	FVTOCI AED'000	Insurance contracts AED'000	Total AED'000
Statutory deposits	10,000	-	-	10,000
Reinsurance contract assets	-	-	110,798	110,798
Cash and cash equivalents	90,974	-	-	90,974
Financial assets at FVTOCI	-	328,506	-	328,506
Insurance receivables	-	-	39,036	39,036
Other receivables	922	-	-	922
Due from related parties	4,597	-	-	4,597
	106,493	328,506	149,834	584,833

31 Financial risk management objectives and policies (continued)

Category-wise assets and liabilities (continued)

Year - 2016

Liabilities	At amortised cost AED'000	Insurance contracts AED'000	Total AED'000
Insurance contract liabilities	-	211,458	211,458
Insurance and other payables	23,120	50,893	74,013
Due to related parties	10,055	-	10,055
Total liabilities	33,175	262,351	295,526

Year - 2015

Liabilities	At amortised cost AED'000	Insurance contracts AED'000	Total AED'000
Insurance contract liabilities	-	177,694	177,694
Insurance and other payables	27,289	45,456	72,745
Due to related parties	8,597	-	8,597
Total liabilities	35,886	223,150	259,036

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, liquidity risk, foreign exchange risk and market risk. The Board reviewed and agreed policies for management of these risks summarised below:

Credit risk

Credit risk is the risk that one party to a contract underlying a financial instrument will fail to discharge its obligations causing the other party to incur a financial loss.

All of the Company's underwriting activities are carried out in the United Arab Emirates. Cash is placed with a group of banks with good credit ratings. Credit risk on account receivables is spread, as they are due from a large number of customers. Credit risk with respect to 'due from insurers' and due from brokers is diversified due to the dispersion of amounts recoverable over a large number of insurers and brokers, however these are monitored closely by the management.

Credit risk with respect to reinsurers is mitigated by placement only with those companies having an acceptable rating.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

31 Financial risk management objectives and policies (continued)

Credit risk (continued)

The following table provides an age analysis of receivables arising from insurance.

	Neither past due nor impaired AED'000	Past due <120 days AED'000	120 -180 days AED'000	>180 days AED'000	Total AED'000	Past due and impaired AED'000	Total AED'000
31 December 2016	**16,321**	**20,469**	**5,059**	**4,445**	**46,294**	**(2,675)**	**43,619**
31 December 2015	11,718	21,309	4,125	4,540	41,692	(2,656)	39,036

The Company believes that overdue debtors are not impaired except those already provided for.

Liquidity risk

Liquidity risk is the risk that the Company faces in meeting its present and future financial obligations in a timely manner. Solvency risk refers to the excess of liabilities over assets, and hence, to the adequacy of the Company's capital. The Company is required to maintain an adequate level of liquidity by the regulatory requirements currently in force in the U.A.E.

Liquidity requirements are monitored by the management to ensure sufficient funds are available to meet commitments as they arise. The table below summarises the maturity of various assets and liabilities:

Year -2016

	Less than 30 days AED'000	**30-90 days AED'000**	**90-180 days AED'000**	**After 180 days AED'000**	**Total AED'000**
Assets					
Statutory deposits	-	-	-	10,000	10,000
Financial assets at FVTOCI	-	-	-	372,316	372,316
Insurance receivables	9,667	20,329	7,429	6,194	43,619
Other receivables	68	279	216	152	715
Due from related parties	1,968	4,269	6,365	784	13,386
Cash in hand and at banks including deposits:					
- Interest bearing	8,314	44,007	35,286	22,385	109,992
- Non-interest bearing	12	-	-	-	12
Reinsurance contract assets (a)	-	-	-	-	133,033
	20,029	68,884	49,296	411,831	683,073

31 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Liabilities					
Insurance and other payables	10,292	37,109	13,179	13,433	74,013
Due to related parties	1,029	5,502	2,233	1,291	10,055
Insurance contract liabilities (a)	-	-	-	-	211,458
	11,321	42,611	15,412	14,724	295,526

Year -2015

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Assets					
Statutory deposits	-	-	-	10,000	10,000
Financial assets	-	-	-	328,506	328,506
Insurance receivables	7,932	18,376	7,731	4,997	39,036
Other receivables	54	368	206	294	922
Due from related parties	340	1,795	1,764	698	4,597
Cash in hand and at banks including deposits:					
- Interest bearing	5,663	42,449	24,465	18,385	90,962
- Non-interest bearing	12	-	-	-	12
Reinsurance contract assets (a)	-	-	-	-	110,798
	14,001	62,988	34,166	362,880	584,833
Liabilities					
Insurance and other payables	7,823	35,108	15,982	13,832	72,745
Due to related parties	208	3,257	3,531	1,601	8,597
Insurance contract liabilities (a)	-	-	-	-	177,694
	8,031	38,365	19,513	15,433	259,036

(a) The maturities of insurance contract liabilities and the corresponding re-insurance contract assets are contingent upon the final settlement of claims, therefore cannot be reliably allocated to any particular maturity slab.

31 Financial risk management objectives and policies (continued)

Interest rate risk

The interest risk is the risk that the value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company has interest bearing deposits in commercial banks having effective interest rate 0.60%-2.13% (2015: 0.21%-1.75%) per annum. The interest rate is floating in nature. However, the Company does not foresee any material impacts due to interest rate fluctuations in the foreseeable future as the total amount of interest income was not material and there were no significant movements noted during the year in the interest rates.

Exchange risk

A major portion of the Company's liabilities and assets are denominated in AED or US Dollars, barring Beirut Branch which is in Lebanese Lira. Since AED is effectively pegged to US Dollars, there is minimal exchange risk. Moreover assets and liabilities in Beirut branch are not considered to be significant to the Company's assets and liabilities hence there is no significant exposure.

Market risk

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

The Company is exposed to market risk with respect to its investments in quoted and unquoted shares.

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

All the Company's investments are within the United Arab Emirates.

Sensitivity of equity prices

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

Given that all other variables remain constant, had equity prices been 10% higher/lower at the reporting date:

- net profit for the year ended 31 December 2016 would have been unaffected as the equity investments are classified as Fair Value Through Other Comprehensive Income (FVTOCI);
- fair value reserve on financial assets of FVTOCI within equity would have increased/decreased by AED 37.23 million (2015: increase/decrease by AED 32.85 million).

32 Capital management

The Company's objective when managing capital risks are:

1) To comply with the Insurance Capital Requirements required by the U.A.E. Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations concerning Insurance Companies and Agents. The minimum regulatory capital for Insurance Companies which must be maintained at all times throughout the year as per the Law is AED 100,000,000 (2015: AED 100,000,000).

2) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to the shareholders.

3) To provide an adequate rate of return to shareholders by pricing products and services commensurate with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders or issue new shares.

There were no changes made in the objectives, policies or processes during the years ended December 31, 2016 and December 31, 2015.

The table below summarises the minimum regulatory capital of the Company and the actual equity held by the Company at the end of the year:

	2016 AED'000	2015 AED'000
Cash and cash equivalents	**110,004**	90,974
Total equity held	**466,733**	407,362
	=======	=======
Minimum regulatory capital	**100,000**	100,000
	=======	=======

33 Comparatives

a) As at December 31, 2015 a balance of AED 19.538 million relating to direct motor claim third party recoveries from individuals and local insurance companies (salvage & subrogation recoveries) had been recorded as the company's receivable and payable under "Reinsurer's contract assets" and "insurance contract provisions" respectively. Accordingly, comparatives have now been adjusted to exclude the said balance as summarised on the next page.

b) As at December 31, 2015 the Company presented the insurance contract provisions relating to claims incurred but not reported (IBNR) net of the related reinsurance assets. For better presentation, the gross figures have been disclosed in the current year. Accordingly, comparatives have now been updated as summarised on the next page.

33 Comparatives (continued)

There was no impact of these reclassifications on the reported profit or loss. Impact on the statement of financial position is as follows:

	December 31, 2015 Previously Reported (AED '000)		Reclassification (AED '000)	December 31, 2015 Currently Reported (AED '000)
Reinsurers' contract assets	118,110	(a)	(19,538)	110,798
		(b)	12,226	
Insurance contract provisions	185,006	(a)	(19,538)	177,694
		(b)	12,226	

34 Post-reporting date events

Except for the proposed cash dividend of 25% of paid up capital for the year ended December 31, 2016 (note 26) there are no adjusting or significant non-adjusting events which have occurred between the reporting date and the date of authorisation of these financial statements.