National General Insurance Co. (P.J.S.C.)

Financial statements

31 December 2017

National General Insurance Co. (P.J.S.C.)

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Report of the Board of Directors

Dear Shareholders,

The Board of Directors have the pleasure to welcome you to the Seventeenth Annual General Meeting and present their report together with the audited financial statements of National General Insurance Co (PSC) ('The Company') for the year ended 31 December 2017.

Overview

The Company continues to be a technically strong and dominant player in the market backed by a solid panel of reinsurers.

FINANCIAL RESULTS

1. The Company reported a net profit of AED 37 million for the year 2017 against AED 28.4 million for 2016 increase of 30%.

2. Gross premiums is AED 571.7 million in 2017 compared to AED 550 million in 2016 increase of 4% and the net earned premiums decreased from AED 285.3 million in 2016 to AED 275.7 million in 2017 decrease of 3.4%.

3. The net claims paid during the year 2017 amounted to AED 164.2 million compared with AED 203.3 million in 2016 decrease of 19.2% and the net claims incurred during the year 2017 amounted to AED 164.4 million compared with AED 190.3 million in 2016 decrease of 13.6%.

4. Underwriting profit increased by AED 20.1 million in 2017 from AED 17.6 million in 2016 to AED 37.7 million in 2017 an increase of 114% over 2016.

5. Gross gain from investment portfolio was AED 14.1 million in 2017 compared to AED 23.6 million in 2016 decrease of 40%.

6. Total General and Management expenses including expenses directly attributable to underwriting activities for the year 2017 is AED 62.6 million compared to AED 63.7 million in 2016 decrease of 1.7%.

7. Investment fund comprising of investment properties, securities and cash and bank balances was AED 744.4 million at the end of 2017 compared with AED 701.4 million in 2016 an increase of 6.1%.

8. The Net Technical Reserves (i.e. net unearned premium reserve, and net provision for outstanding claims) at the end of year 2017 amounted to AED 238.50 million compared with AED 234 million in 2016. Included in the above is Life Assurance Fund of AED 77.9 million as at end 2017 compared to AED 71.9 million in 2016.

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SZR Branch: Al Wadi Building, Office # M 06
Sheikh Zayed Road, Dubai, UAE
Tel: 04 343 9765, Fax: 04 343 9874

Head Office: NGI House Building, P.O. Box 154, Deira, Dubai
Tel: 04 211 5800, Fax: 04 250 2854
Email: ngico@emirates.net.ae, Website: www.ngi.ae

Bur Dubai Branch: Office402, 4th Floor, Al Kifaf Commercial, (Avenue Bldg.), Bur Dubai (Opp Burjuman)
Tel: 04 354 8222, Fax: 04 370 9646

DIP Branch: The Market Mall, Green Community, F24, 1st Floor, Dubai Investment Park, Tel: 04 885 9912, Fax: 04 885 9913

Sharjah Branch: ENBD Building, Office # 302, 3rd floor, Al Qasimiya Area, King Abdul Aziz St., P.O. Box 67244, Sharjah, Tel: 06 573 5999, Fax: 06 573 5777

Abu Dhabi Branch: Office# 701 & 702, Al Otaiba Tower, Zayed the First St. (Electra), Abu Dhabi, P.O.Box : 105230, Tel: 02 622 0223, Fax: 02 622 0037

Barsha Branch: Office # 504, 5th Floor, API Business Suites Bldg (next to Zahra Hospital), Al Barsha, Shk Zayed Street, Tel: 04-3792353, Fax: 04-3792303

Qusais Branch: Office # 202, 2nd Floor, Coastal Building| (Dubai Education Zone), Al Qusais 2 (Next to Al Twar Center), Tel: 04 261 1333, Fax: 04 252 1808

Ajman Branch: Office # 103, 1st Floor, CBD Building, Sheikh Rashid Bin Humaid Street, Al Bustan, Ajman. Tel: 06 744 8089, Fax: 06 744 8098

Jafza Branch: LOB 16 Building, Office # 125, Jafza, Dubai, UAE. Tel: 04 885 4311

RECOMMENDATIONS OF THE BOARD OF DIRECTORS

The Board of Directors has the pleasure in presenting the following recommendations to the shareholders:

1. Consider, discuss and approve the Board of Directors' report.
2. Consider, discuss and approve the Auditors' report.
3. Consider, discuss and approve the Financial Statements for the year ended 31 December 2017.
4. Absolve the Chairman and Members of the Board from all responsibilities for acts and decisions made by them in fulfilling their functions during the year ended 31 December 2017.
5. Consider, discuss and approve that since the General Reserve total AED 74,977,056 after transferring AED 2,449,436 from profits of 2017 has reached 50% of the paid up capital AED 149,954,112, no further transfers will be made to General Reserves in future
6. Approve the proposed appropriation of the profits as follows:

	AED
Profit brought forward	132,366,827
Add comprehensive profit for the year 2017	36,573,695
Total available for distribution	168,940,522
Less	
a) Transfer to Legal reserve to cap it at 50% of the paid up Share Capital profit	1,833,450
b) Transfer to General reserve to cap it at 50% of the paid up Share Capital profit	2,449,436
c) Director's remuneration	2,520,247
d) Proposed Dividend --- Cash –%	22,493,117
Profit carried forward	139,644,272

7. Appoint or re-appoint Auditors for the financial year 2018 and determine their fees. KPMG being eligible for re-appointment have expressed their willingness to continue in office.

The Board of Directors take pleasure in extending, on your behalf, their sincere thanks and appreciation to H.H Sheikh Khalifa Bin Zayed Al Nahyan, the President and H.H Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, for their kind support to the national companies and institutions, which benefited immensely from their wise economic and social policies.

The Directors also appreciate the fruitful co-operation of all customers who had the major role in the progress of the company.

The Directors take this opportunity to express their sincere appreciation and thanks to the Company's executive administration and staff for their loyalty, diligence and hard work, our treaty leaders and all the Reinsurers for their continued support to the Company.

On behalf of the Board

Hamad Mubarak Buamim
Chairman

20 FEB 2018

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Independent Auditors' Report

To the Shareholders of National General Insurance Co. (P.J.S.C.)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National General Insurance Co. (P.J.S.C.) (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

1. *Insurance contract liabilities*

Refer to note 5 and 13 of the financial statements.

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

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

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

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

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

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

- assessing the experience and competence of the Company's actuary and degree of challenge applied through the reserving process;

Key Audit Matters (continued)

1. ***Insurance contract liabilities*** *(continued)*

- checking sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; and

- assessing the Company's disclosure in relation to these liabilities including claims development table is appropriate.

2. ***Insurance receivables***

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

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

Our response:

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

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

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

- verifying payments received from such counterparties post year end;

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

Key Audit Matters (continued)

2. *Insurance receivables* *(continued)*

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

3. *Valuation of investment properties*

Refer to note 5 and 9 of the financial statements.

The valuation of investment properties is determined through the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

Due to the significance of investment properties and the related estimation uncertainty, this is considered a key audit matter.

Investment properties are held at fair value through profit or loss in the Company's statement of financial position and qualify under Level 3 of the fair value hierarchy as at 31 December 2017.

Our response:

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

- We obtained the external valuation reports for all properties and confirmed that the valuation approach is in accordance with RICS' standards and is suitable for use in determining the fair value in the statement of financial position;

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Company has maintained proper books of account;

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

v) as disclosed in note 10 to the financial statements, the Company has purchased shares during the year ended 31 December 2017;

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

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2017; and

viii) note 19 to the financial statements discloses 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 explanations we considered necessary for the purposes of our audit.

KPMG Lower Gulf Limited

Vijendra Nath Malhotra
Registration No.: 48
Dubai, United Arab Emirates
Date: 26 FEB 2018

National General Insurance Co. (P.J.S.C.)

Statement of financial position

as at 31 December 2017

	Note	2017 AED	2016 AED
ASSETS			
Property and equipment	*8*	**30,698,636**	33,139,871
Intangible assets	*8.2*	**3,035,023**	2,108,947
Investment properties	*9*	**228,689,290**	227,277,827
Investments securities	*10*	**258,427,440**	226,906,252
Reinsurance assets	*13*	**282,617,066**	341,884,997
Insurance and other receivables	*11*	**199,266,586**	176,270,051
Cash and bank balances	*12*	**257,289,336**	247,254,414
Total assets		**1,260,023,377**	1,254,842,359
LIABILITIES			
Insurance contract liabilities	*13*	**521,087,810**	575,909,907
Insurance and other payables	*14*	**228,763,759**	193,868,859
Payable to policyholders of unit linked products	*24*	**45,249,827**	37,195,602
Total liabilities		**795,101,396**	806,974,368
EQUITY			
Share capital	*15*	**149,954,112**	149,954,112
Legal reserve	*15*	**74,977,056**	73,143,606
General reserve	*15*	**74,977,056**	72,527,620
Fair value reserve	*15*	**(53,243)**	356,121
Retained earnings		**165,067,000**	151,886,532
Total equity		**464,921,981**	447,867,991
Total liabilities and equity		**1,260,023,377**	1,254,842,359

The notes on pages 16 to 52 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 20 February 2018 and signed on their behalf by:

HE Hamad Mubarak Buamim
Chairman

Dr. Abdul Zahra A. Ali
CEO

Independent auditor's report is set out on page 3 - 10.

National General Insurance Co. (P.J.S.C.)

Statement of profit or loss

For the year ended 31 December 2017

	Note	2017 AED	2016 AED
Gross written premiums	*22*	**571,653,070**	550,017,982
Reinsurance ceded		**(297,774,693)**	(298,363,023)
Net premiums		**273,878,377**	251,654,959
Change in unearned premium provision		**1,805,648**	33,596,380
Net earned premiums		**275,684,025**	285,251,339
Reinsurance commission income		**33,727,466**	39,227,456
Total underwriting income		**309,411,491**	324,478,795
Claims paid	*13*	**(401,936,408)**	(354,954,922)
Reinsurance share of claims paid	*13*	**237,731,080**	151,648,339
Net claims paid		**(164,205,328)**	(203,306,583)
Change in outstanding claims provision		**(220,440)**	12,984,948
Net incurred claims	*22*	**(164,425,768)**	(190,321,635)
Commission incurred	*22*	**(54,553,346)**	(58,492,213)
Administrative expenses	*19*	**(47,722,949)**	(50,939,808)
Net underwriting expenses		**(266,702,063)**	(299,753,656)
Net movement in life assurance fund and payable to policyholders of unit linked product	*22*	**(14,085,267)**	(10,017,100)
Increase in fair value of investments held for unit linked products	*24*	**9,042,268**	2,867,963
Total underwriting expense		**(271,745,062)**	(306,902,793)
Underwriting profit	*22*	**37,666,429**	17,576,002
Interest and other income		**8,402,421**	7,554,180
Net rental income	*9*	**4,457,568**	4,176,950
Fair value gain on investment properties- net	*9*	**1,411,463**	1,496,767
Net income from investments	*18*	**(124,319)**	10,386,607
Net gain from investment portfolio		**14,147,133**	23,614,504
General and administrative expenses	*19*	**(14,830,503)**	(12,753,228)
Net profit for the year		**36,983,059**	28,437,278
Basic and diluted earnings per share	*23*	**0.25**	0.19

The notes on pages 16 to 52 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 10.

National General Insurance Co. (P.J.S.C.)

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

	2017	2016
	AED	AED
Net profit for the year	**36,983,059**	28,437,278
Other comprehensive income		
Items that will not be classified to profit or loss:		
Net change in fair value of investments at fair value through other comprehensive income	**(409,364)**	456,666
Total other comprehensive income for the year	**(409,364)**	456,666
Total comprehensive income for the year	**36,573,695**	28,893,944

The notes on pages 16 to 52 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 10.

National General Insurance Co. (P.J.S.C.)

Statement of cash flows

For the year ended 31 December 2017

	Note	**2017 AED**	2016 AED
Cash flows from operating activities			
Net profit for the year		**36,983,059**	28,437,278
Adjustment for:			
Depreciation and amortisation	*8.1*	**3,715,803**	3,720,819
Dividend income	*18*	**(2,951,092)**	(2,177,271)
Realised gains on investments fair valued through profit or loss	*18*	**(2,070,368)**	(6,591,432)
Unrealised loss / (gain) on investments fair valued through profit or loss	*18*	**4,684,941**	(2,034,722)
Realised loss on sale of property and equipment		**3**	247
Unrealised gain on fair value of investment properties	*9*	**(1,411,463)**	(1,496,767)
Change in unearned premium reserve and life assurance fund		**4,225,394**	(24,140,159)
Provision against trade receivables	*11*	**(1,500,000)**	-
Provision for gratuity - net of repayment		**(958,530)**	1,000,860
		40,717,747	(3,281,147)
Change in insurance receivables		**(21,496,535)**	12,371,577
Change in insurance and other payables		**35,853,430**	39,439,566
Change in net outstanding claims		**220,440**	(12,984,948)
Director's remuneration		**(1,525,212)**	(1,130,526)
Net cash generated from operating activities		**53,769,870**	34,414,522
Cash flows from investing activities			
Purchase of investments at fair value through profit or loss		**(64,960,623)**	(64,595,975)
Purchase of investments at amortised cost		**(9,192,500)**	-
Proceeds from sale of investments at fair value through profit or loss		**47,662,223**	86,681,872
Proceeds from sale of investments at amortised cost		**-**	408,900
Change in property and equipment and intangible assets (net)		**(2,200,647)**	(2,253,643)
Dividend income		**2,951,092**	2,177,271
Change in bank deposits		**(35,277,767)**	(94,033,410)
Net cash used in investing activities		**(61,018,222)**	(71,614,985)
Cash flows from financing activities			
Dividends paid		**(17,994,493)**	(15,000,000)
Net cash used in financing activities		**(17,994,493)**	(15,000,000)
Net decrease in cash and cash equivalents		**(25,242,845)**	(52,200,463)
Cash and cash equivalents at 1 January	*12*	**55,416,004**	107,616,467
Cash and cash equivalents at 31 December	*12*	**30,173,159**	55,416,004

The notes on pages 16 to 52 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 10.

National General Insurance Co. (P.J.S.C.)

Statement of changes in shareholders' equity

For the year ended 31 December 2017

	Attributable to the equity holders of the Company					
	Share capital AED	**Legal reserve AED**	**General reserve AED**	**Fair value reserve AED**	**Retained earnings AED**	**Total AED**
Balance at 1 January 2016	149,954,112	70,299,878	69,683,892	(100,545)	145,267,236	435,104,573
Total comprehensive income for the year						
Profit for the year	-	-	-	-	28,437,278	28,437,278
Other comprehensive income for the year						
Net change in fair value of investments FVTOCI	-	-	-	456,666	-	456,666
Total other comprehensive income for the year	-	-	-	456,666	-	456,666
Total comprehensive income for the year	-	-	-	456,666	28,437,278	28,893,944
Transfer to legal reserve	-	2,843,728	-	-	(2,843,728)	-
Transfer to general reserve	-	-	2,843,728	-	(2,843,728)	-
Transaction with owners directly recorded in equity						
Directors' remuneration (note 17)	-	-	-	-	(1,130,526)	(1,130,526)
Dividends paid (note 16)	-	-	-	-	(15,000,000)	(15,000,000)
As at 31 December 2016	**149,954,112**	**73,143,606**	**72,527,620**	**356,121**	**151,886,532**	**447,867,991**
Balance at 1 January 2017	**149,954,112**	**73,143,606**	**72,527,620**	**356,121**	**151,886,532**	**447,867,991**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	36,983,059	36,983,059
Other comprehensive income for the year						
Net change in fair value of investments FVTOCI	-	-	-	(409,364)	-	(409,364)
Total other comprehensive income for the year	**-**	**-**	**-**	**(409,364)**	**-**	**(409,364)**
Total comprehensive income for the year	**-**	**-**	**-**	**(409,364)**	**36,983,059**	**36,573,695**
Transfer to legal reserve	-	1,833,450	-	-	(1,833,450)	-
Transfer to general reserve	-	-	2,449,436	-	(2,449,436)	-
Transaction with owners directly recorded in equity						
Directors' remuneration (note 17)	-	-	-	-	(1,525,212)	(1,525,212)
Dividends paid (note 16)	-	-	-	-	(17,994,493)	(17,994,493)
As at 31 December 2017	**149,954,112**	**74,977,056**	**74,977,056**	**(53,243)**	**165,067,000**	**464,921,981**

The notes on pages 16 to 52 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 10.

1. Reporting entity

National General Insurance Co. (P.J.S.C) ("the Company") is a Public Shareholding Company registered under UAE Federal Law No 2 of 2015 for commercial companies in the Emirate of Dubai with effect from 12 September 2001.

The Company was originally incorporated as a Private Limited Liability Company in the Emirate of Dubai.

The Company underwrites all classes of life and general insurance business as well as certain reinsurance business in accordance with the provisions of the UAE Federal Law No. 6 of 2007 relating to Establishment of Insurance Authority and Regulation of Insurance Operations.

The registered office of the Company is at the NGI House, P.O. Box 154, Dubai, UAE.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standard Board ('IASB'), applicable provisions of UAE Federal Law No. 2 of 2015 and UAE Federal Law No. 6 of 2007.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are stated at fair value :

i) financial instruments at fair value through profit or loss ("FVTPL");
ii) financial instruments at fair value through other comprehensive income ("FVTOCI"); and
iii) investment properties.

The methods used to measure fair values are discussed in note 3(j).

c) Functional and presentation currency

These financial statements are presented in U.A.E. Dirhams ("AED"), which is the Company's functional currency. Financial information presented has been rounded to the nearest AED.

d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

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

e) Changes in accounting policy

A number of new standards, amendments to standards and interpretations that are issued and are effective for accounting periods starting 1 January 2017 have been applied. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods:

• Disclosure Initiative (Amendments to IAS 7)
• Annual Improvements to IFRSs 2014 - 2016 Cycle - various standards

3. Significant accounting policies

Except for the changes noted above, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Insurance contracts

i) Classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to happening of the insured event compared to its non happening.

Insurance contracts may also transfer some 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 prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where insurance risk is not significant are classified as investment contracts.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

ii) Recognition and measurement

Premiums

Gross premiums written reflect business incepted during the year, and exclude any fees and other amounts collected with and calculated based on premiums. These are recognised when underwriting process is complete and policies are issued.

The earned portion of premium is recognised as an income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium provision

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. UPR are calculated using the 1/365 method except for marine cargo and general accident. The UPR for marine cargo is recognised as fixed proporation of the written premiums as required in the financial regulation issued under UAE Federal Law No. 6 of 2007, and UPR for general accident assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract, the rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy. Unearned premiums for individual life business are considered by the Company's actuary in the calculation for life reserve fund.

iii) Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

3. Significant accounting policies *(continued)*

a) Insurance contracts *(continued)*

iii) Claims (continued)

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the new regulations. The basis of estimating outstanding claims and IBNR are detailed in note 13.

iv) Provision for premium deficiency / liability adequacy test

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

v) Reinsurance

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

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

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

Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

vi) Deferred acquisition cost

For general insurance contracts, the deferred acquisition cost asset represents the position of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date. Commission income related to underwriting activities are recognised on a time proportion basis over the effective period of policy using the same basis as described for unexpired risk premium.

3. Significant accounting policies *(continued)*

a) Insurance contracts *(continued)*

vii) Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract liabilities or reinsurance assets.

viii) Life assurance fund

The fund is determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of fund are affected by charges or credits to income. Certain generated returns are accrued and provided for in the life fund.

ix) Insurance contract liabilities and reinsurance assets

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the statement of financial position date, in addition for claims incurred but not reported and Life assurance fund. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date.

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the financial statements.

b) Revenue (other than insurance revenue)

Revenue (other than insurance revenue) comprises the following:

i) Fee and commission income

Fee and commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies.

ii) Investment income

Investment income comprises income from financial assets, rental income from investment properties, realised and unrealised fair value gains on investment property and financial assets at FVTPL.

Income from financial assets comprises interest and dividend income, net gains/losses on financial assets classified at fair value through profit or loss (FVTPL) , and realised gains/losses on other financial assets.

Interest income is recognised on a time proportion basis using effective interest rate method. Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities. Basis of recognition of net gains/losses on financial assets classified at fair value through profit or loss and realised gains on other financial assets is described in note 3 (g).

Fair value gains/losses on investment property are included in the statement of profit or loss in the period these gains/losses are determined.

3. Significant accounting policies *(continued)*

c) Operating leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases for office premises equipments are recognised in statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

d) Property and equipment

i) Recognition and measurement

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

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

Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in statement of profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. No depreciation is charged on freehold land and capital-work-in-progress. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

3. Significant accounting policies *(continued)*

d) Property and equipment *(continued)*

iii) Depreciation (continued)

The estimated useful lives with their capabilities for various categories of property and equipment is as follows :

Office building	30 years
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years
Computer equipment	4 years

e) Intangible assets (software)

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight line basis in the statement of profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods are four years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in providing services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the statement of profit or loss.

The Company determines fair value on the basis of valuation provided by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

g) Non-derivative financial assets and liabilities

The Company adopted IFRS 9 (2009), Financial instruments in 2011 in advance of its effective date and chose 1 January 2011 as the date of initial application.

Recognition

The Company initially recognises loans and advances and deposits on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes party to the contractual provision of the instrument.

3. Significant accounting policies *(continued)*

g) Non-derivative financial assets and liabilities *(continued)*

Recognition *(continued)*

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification

Financial assets measured at amortised cost

At inception a financial asset is classified as measured at amortised cost or fair value.

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions:

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

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Company has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial assets measured at fair value through profit or loss

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

3. Significant accounting policies *(continued)*

g) Non-derivative financial assets and liabilities *(continued)*

Classification *(continued)*

Financial assets measured at fair value through profit or loss (continued)

The Company has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial assets at FVTOCI

At initial recognition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in certain equity instruments as at FVTOCI (fair value through other comprehensive income). Designation to FVTOCI is not permitted if the equity instrument is held for trading.

Dividend in these investments in equity instruments are recognised in the income statement when the Company's right to receive the dividends is established, unless the dividends clearly represents a recovery of part of the cost of the investment.

Gains and losses on such equity instruments are never reclassified to income statement and no impairment is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except when the Company changes its business model for managing financial assets.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amoritised cost using the effective interest method.

Loans and receivables comprise mainly trade and other receivables, deposits and other receivables.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with the banks and fixed deposits with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Equity securities

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

3. Significant accounting policies *(continued)*

g) Non-derivative financial assets and liabilities *(continued)*

Classification *(continued)*

Payable to policy holders for unit-linked policies

Payable to unit holder is classified as financial liability, which is designated as fair value through profit or loss, upon initial recognition. Subsequent to initial measurement, financial liabilities fair value through profit or loss are measured at fair value and any fair value change are recognised in statement of profit or loss.

h) Impairment

Impairment of non-derivative financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost are impaired. A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows relating to the asset that can be estimated reliably. The Company considers evidence of impairment at both a specific and collective level.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Company.

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by combining together loans and receivables with similar risk characteristics.

Impairment of loans and receivables

At each reporting date, the Company assesses on a case-by-case basis whether there is any objective evidence that a asset is impaired. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off and/or any event resulting in a reduction in impairment loss, decreases the amount of the provision for loan impairment in profit or loss.

Impairment losses are recognised in the income statement and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant accounting policies *(continued)*

h) Impairment *(continued)*

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than investment property) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) De-recognition of financial assets and financial liabilities

The Company derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control on the financial asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Company is recognised as separate asset or liability in the statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the financial assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

Transfer of assets with retention of all or substantially all risks and rewards include, securities lending and repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the services.

The company derecognises a financial liability when its contractual obligation are discharged or cancelled or expire.

3. Significant accounting policies *(continued)*

j) Fair value measurement principles

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

When available, the Company measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the income statement on an appropriate basis over the life of the instrument but no later than when

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

3. Significant accounting policies *(continued)*

k) Provisions

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

l) Foreign currency transactions

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the reporting date. Non monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realised and unrealised exchange gains and losses are recognised in profit or loss.

m) Employee terminal benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees’ length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are not less than the liability arising under UAE Labour Law.

The Company contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Company’s contributions are charged to the statement of profit or loss in the period to which they relate. In respect of this scheme, the Company has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

n) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. All operating segments’ operating results are reviewed regularly by the Company’s CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company’s headquarters), head office expenses, and income tax assets and liabilities.

3. Significant accounting policies *(continued)*

p) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or of gains and losses arising from a group of similar transactions such as in the Company's trading activity.

q) Directors remuneration

Pursuant to Article 169 of Federal Law No. 2 of 2015 and in accordance with the Articles of Association of the Company, the Directors are entitled for remuneration which shall not exceed 10% of the net profits after deducting depreciation and reserves.

r) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however the Company has not early adopted the following new or amended standards in preparing these financial statements:

Accounting Standard	Description	Effective date
IFRS 9	Financial instruments (2014)	(effective 1 January 2018)
IFRS 15	Revenue from Contracts with Customers	(effective 1 January 2018)
IFRS 16	Leases	(effective 1 January 2019)
IFRS 17	Insurance Contracts	(effective 1 January 2021)

IFRS 9 Financial Instruments (2014)

The Company has adopted IFRS 9 (2009) which sets out guidelines for the classification and measurement of financial assets.

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. 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.

Based on a preliminary assessment of the Company's financial assets and financial liabilities as at 31 December 2017, on the basis of the facts and circumstances that exist at that date, the Company has assessed the impact of IFRS 9 (2014) on the financial statements. Based on its assessment, the Company does not believe that IFRS 9 (2014) will have a material impact on the Company's financial statements. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company until the Company presents its first financial statements that include the date of initial application.

3. Significant accounting policies *(continued)*

r) New standards and interpretations not yet adopted *(continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Revenue arising from insurance contracts and from financial instruments is outside the scope of IFRS 15. The impact on the recognition of revenue from other services delivered to customers by the Company is expected to be insignificant.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

The Company is in the process of evaluating the potential impact of this standard on it's financial statement resulting from application of this IFRS 16, which is applicable for periods beginning on or after 1 January 2019.

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' as of 1 January 2021.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is not practical, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Management anticipates that IFRS 17 will be adopted in the Company's financial statements for the annual period beginning 1 January 2021. The application of IFRS 17 may have a significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its insurance contracts. However, it is not practical to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review.

4. Risk management

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks. This section summarises these risk and the way the Company manages them:

i) Governance framework

The primary objective of the Company’s risk and financial management framework is to protect the Company’s shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Management recognises the critical importance of having efficient and effective risk management systems in place.

4. Risk management *(continued)*

ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

iii) Capital management framework

The primary objective of the Company's capital management is to comply with regulatory requirements in the UAE. The Company has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on economic capital. The Company fully complied with externally imposed capital requirements and no changes were made in the objectives, policies or processes during the year ended 31 December 2017.

iv) Regulatory framework

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

The operations of the Company are also subject to regulatory requirements within the UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

v) Asset liability management ("ALM")

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 main risk that the Company faces due to the nature of its investments and liabilities is interest rate risk and equity price risk. The Company manages these positions within an ALM frame work that has been developed by management to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Company's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

4. Risk management *(continued)*

v) Asset liability management ("ALM") *(continued)*

a) Insurance risks

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

The Company writes the following types of general insurance and life insurance contracts:

General insurance contracts
- Liability insurance
- Property insurance
- Motor insurance
- Fire insurance
- Health insurance
- Marine Insurance
- Engineering Insurance

Life insurance contracts
- Group life insurance
- Individual life insurance

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

Underwriting strategy

General insurance

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

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

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

Life insurance

Underwriting is managed at each business unit through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

4. Risk management *(continued)*

a) Insurance risks *(continued)*

Life insurance *(continued)*

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

Reinsurance strategy

The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

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

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

b) Financial risks

The Company has exposure to the following primary risks from its use of financial instruments:

● Credit risk;
● Liquidity risk;
● Market risk; and
● Operational risk.

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

i) Credit risk

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

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

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

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

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

4. Risk management *(continued)*

b) Financial risks *(continued)*

i) Credit risk *(continued)*

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

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Investments		**Insurance and other receivables**		**Reinsurance assets**	
	2017	2016	**2017**	2016	**2017**	2016
	AED	AED	**AED**	AED	**AED**	AED
Carrying amount	**68,773,951**	70,429,213	**194,101,336**	167,835,937	**179,500,862**	213,462,661
Concentration by sector						
- Financial institution / Reinsurance companies	**46,075,340**	44,208,955	**52,890,907**	49,342,196	**179,500,862**	213,462,661
- Banks	**22,698,611**	22,507,031	**1,819,750**	962,898	**-**	-
- Real estate	**-**	-	**19,097,760**	10,765,385	**-**	-
- Service	**-**	-	**-**	-	**-**	-
- Others	**-**	3,713,227	**120,292,919**	106,765,458	**-**	-
Total carrying amount	**68,773,951**	70,429,213	**194,101,336**	167,835,937	**179,500,862**	213,462,661
Concentration by location						
- UAE	**56,722,464**	54,692,559	**181,515,647**	155,852,968	**6,612,757**	-
- GCC	**12,051,487**	15,736,654	**2,623,761**	2,530,449	**6,053,921**	27,528,643
- Other Arab Countries	**-**	-	**3,205,345**	-	**1,762,558**	38,939,715
- European Countries	**-**	-	**6,108,114**	8,925,553	**163,309,069**	146,994,303
- Others	**-**	-	**648,469**	526,967	**1,762,557**	-
Total carrying amount	**68,773,951**	70,429,213	**194,101,336**	167,835,937	**179,500,862**	213,462,661

The above class of financial instruments provide the best representation for the Company's maximum exposure to credit risk at the end of the year.

The concentrations by location for insurance and other receivables and reinsurance assets are measured based on the residential status of the counter parties. The concentration by location for non-trading investments is measured based on the location of the issuer of the security.

The age analysis of insurance and other receivables (except prepayment) are as follows:

	Gross	**Impairment**	Gross	Impairment
	2017		2016	
	AED	**AED**	AED	AED
Neither past due not impaired	**110,089,101**	-	79,836,769	-
Past due 0-30 days	**11,291,989**	-	5,225,871	-
Past due 31-120 days	**49,003,163**	-	48,857,299	-
Past due 121-365 days	**17,214,985**	-	11,629,289	-
More than 365 days	**6,502,098**	**(7,500,000)**	22,286,709	(6,000,000)
	194,101,336	**(7,500,000)**	167,835,937	(6,000,000)

4. Risk management *(continued)*

b) Financial risks *(continued)*

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the maturity profile of the liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

		Contractual cash flows			
31 December 2017	**Carrying Value**	**Gross contractual cash flow**	**Less than 180 days**	**180 days to 1 year**	**1-5 Year**
	AED	**AED**	**AED**	**AED**	**AED**
Liabilities					
Insurance and other payables	**217,858,864**	**(217,858,864)**	**(217,858,864)**	**-**	**-**

31 December 2016	Carrying Value	Gross contractual cash flow	Less than 180 days	180 days to 1 year	1-5 Year
	AED	AED	AED	AED	AED
Liabilities					
Insurance and other payables	182,005,434	(182,005,434)	(182,005,434)	-	-

iii) Market risk

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

a) Currency risk

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

The Company's major exposures are in USD, including reinsurance arrangements which is pegged with AED and the Company's exposure to currency risk is limited to that extent.

b) 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.

The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Company's interest risk policy requires to manage interest risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

A summary of the Company's interest rate gap position on the non-trading portfolio based on contractual repayment is as follows:

4. Risk management *(continued)*

b) Financial risks *(continued)*

iii) Market risk *(continued)*

b) Interest rate risk *(continued)*

	2017 Fixed AED	2016 Fixed AED
Financial assets		
Investments at FVTOCI	**44,565,553**	44,974,918
Fixed income investments / bonds - quoted	**44,581,451**	55,429,213
Investments at amortised cost	**24,192,500**	15,000,000
Cash at bank	**227,116,177**	191,838,410
Total financial assets	**340,455,681**	307,242,541
Financial liabilities	**-**	-
Net financial instruments	**340,455,681**	307,242,541

Fair value sensitivity analysis for fixed rate instruments

Fixed rate interest bearing financial assets, which are carried at cost are not exposed to interest rate risk.

c) Equity price risk

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

The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

The Company's equity price risk policy requires is to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, sector and market. The fair values of financial assets are not different from their carrying values.

Sensitivities

The table below shows the results of sensitivity testing on the Company's profit or loss and equity by type of investment. The sensitivity analysis indicates the effect of changes in price risk factors arising from the impact of the changes in these factors on the Company's investments:

	10% increase in price		**10% decrease in price**	
	Profit or loss	**OCI**	**Profit or loss**	**OCI**
31 December 2017				
Fair value through OCI	**-**	**4,456,555**	**-**	**(4,456,555)**
Fair value through profit or loss	**18,966,939**	**-**	**(18,966,939)**	**-**
31 December 2016				
Fair value through OCI	-	4,497,492	-	(4,497,492)
Fair value through profit or loss	16,693,133	-	(16,693,133)	-

4. Risk management *(continued)*

b) Financial risks *(continued)*

iv) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

5. Use of estimates and judgements

The areas of the Company's business containing key sources of estimation uncertainty include the measurement of insurance contract liabilities and the determination of the fair values of financial instruments.

Measurement of insurance contract liabilities

The Company's accounting policy in respect of insurance contract accounting is discussed in more detail in note 3(a). The key assumptions made in respect of insurance contract liabilities are included in Note 13.

Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Company.

There are a number of contracts sold where the Company exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Company is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

Individual life insurance

The assumptions used in the actuarial valuations for life fund are consistently applied and these assumptions are based on mortality and withdrawal rate assumptions. Also refer 3(a)(viii).

Provision for outstanding claims, whether reported or not

Considerable judgment by the management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the date of statement of financial position. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends and are presented in Note 13.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

5. Use of estimates and judgements *(continued)*

Classification of financial instruments

Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating the credit and liquidity position of the policy holders and the insurance and reinsurance companies, historical recovery rates including detailed investigations carried out during the year and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

Details of provision against doubtful accounts are stated in Note 11.

Liability Adequacy Test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

Valuation of investment property

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio annually.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

The Company has taken the highest and best use fair values for the fair value measurement of its investment properties.

Valuation technique	**Significant unobservable inputs**	**Interrelationship between key unobservable inputs and fair value measurements**
1) Income valuation approach 2) Sales comparative valuation approach 3) Residual approach	-Expected market rental growth rate -Risk adjusted discount rates -Free hold property -Free of covenants, third party rights and obligations -Statutory and legal validity -Condition of the property, location and plot area -Recent sales value of comparable properties - Expected gross development value - Expected costs of construction	The estimated fair value increase/decrease if: - Expected market rental growth rate were higher - The risk adjusted discount rates were lower/higher - The property is not free hold - The property is subject to any covenants, rights and obligations - The property is subject to any adverse legal notices / judgment - The property is subject to any defect / damages - The property is subject to sales value fluctuations of surrounding properties in the area. - Changes in the estimated costs of construction.

6 Accounting classification of financial assets and financial liabilities

The table below shows a reconciliation between line items in the statement of financial position and categories of financial instruments.

At 31 December 2017	**FVTPL**	**FVTOCI**	**Amortised cost**	**Total carrying amount**
	AED	**AED**	**AED**	**AED**
Financial assets				
Insurance and other receivables	**-**	**-**	**186,601,336**	**186,601,336**
Investment securities	**189,669,387**	**44,565,553**	**24,192,500**	**258,427,440**
Cash and bank balances	**-**	**-**	**257,289,336**	**257,289,336**
	189,669,387	**44,565,553**	**468,083,172**	**702,318,112**
Financial liabilities				
Insurance and other payables	**-**	**-**	**217,858,864**	**217,858,864**
Payable to policyholders of unit linked products	**-**	**-**	**45,249,827**	**45,249,827**
	-	**-**	**263,108,691**	**263,108,691**

At 31 December 2016	FVTPL	FVTOCI	Amortised cost	Total carrying amount
	AED	AED	AED	AED
Financial assets				
Insurance and other receivables	-	-	161,835,937	161,835,937
Investment securities	166,931,334	44,974,918	15,000,000	226,906,252
Cash and bank balances	-	-	247,254,414	247,254,414
	166,931,334	44,974,918	424,090,351	635,996,603
Financial liabilities				
Insurance and other payables	-	-	182,005,434	182,005,434
Payable to policyholders of unit linked products	-	-	37,195,602	37,195,602
	-	-	219,201,036	219,201,036

7 Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

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

7 Fair value of financial instruments *(continued)*

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

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

a) Fair value hierarchy of assets/liabilities measured at fair value

The following table analyses assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

As at 31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets	**AED**	**AED**	**AED**	**AED**
FVTPL - quoted equities	**189,669,387**	-	-	**189,669,387**
FVTOCI	**44,565,553**	-	-	**44,565,553**
Non-financial assets				
Investment properties	-	-	**228,689,290**	**228,689,290**
	234,234,940	-	**228,689,290**	**462,924,230**
Financial liabilities				
Payable to policyholders of unit linked products	-	**45,249,827**	-	**45,249,827**
	-	**45,249,827**	-	**45,249,827**

As at 31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets	AED	AED	AED	AED
FVTPL - quoted equities	166,931,334	-	-	166,931,334
FVTOCI	44,974,918	-	-	44,974,918
				-
Non-financial assets				-
Investment properties	-	-	227,277,827	227,277,827
	211,906,252	-	227,277,827	439,184,079
Financial liabilities				
Payable to policyholders of unit linked products	-	37,195,602	-	37,195,602
	-	37,195,602	-	37,195,602

7 Fair value of financial instrument *(continued)*

b) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2017

	Level 1	Level 2	Level 3	Total carrying amount
Financial assets	**AED**	**AED**	**AED**	**AED**
Cash and cash equivalents	-	**257,289,336**	-	**257,289,336**
Insurance and other receivables	-	-	**186,601,336**	**186,601,336**
Investments securities	-	**24,192,500**	-	**24,192,500**
	-	**281,481,836**	**186,601,336**	**468,083,172**
Financial liabilities				
Insurance and other payables	-	**217,858,864**	-	**217,858,864**
	-	**217,858,864**	-	**217,858,864**

As at 31 December 2016

	Level 1	Level 2	Level 3	Total carrying amount
Financial assets				
Cash and cash equivalents	-	247,254,414	-	247,254,414
Insurance and other receivables	-	-	161,835,937	161,835,937
Investments securities	-	15,000,000	-	15,000,000
	-	262,254,414	161,835,937	424,090,351
Financial liabilities				
Insurance and other payables	-	182,005,434	-	182,005,434
	-	182,005,434	-	182,005,434

The fair value of financial assets and liabilities is not significantly different from their carrying values.

8. Property and equipment and intangible assets

	Note	2017	2016
		AED	AED
Operating assets	8.1	**30,698,636**	33,139,871
Intangible assets		**1,250,809**	1,671,597
Capital work in progress		**1,784,214**	437,350
At 31 December		**33,733,659**	35,248,818

8.1 Operating assets

	Land and office building AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Computer equipment AED	Total tangible operating assets AED	Intangible assets AED
Cost							
At 1 January 2016	34,256,111	8,295,129	1,420,952	311,800	6,882,936	51,166,928	6,475,577
Additions	58,600	958,315	85,489	6,600	187,228	1,296,232	1,166,307
Disposals	-	(58,425)	-	(53,350)	(56,429)	(168,204)	-
At 31 December 2016	34,314,711	9,195,019	1,506,441	265,050	7,013,735	52,294,956	7,641,884
At 1 January 2017	34,314,711	9,195,019	1,506,441	265,050	7,013,735	52,294,956	7,641,884
Additions	-	105,640	18,770	-	279,069	403,479	1,797,166
Disposals	-	(2,200)	(18,000)	-	-	(20,200)	-
At 31 December 2017	**34,314,711**	**9,298,459**	**1,507,211**	**265,050**	**7,292,804**	**52,678,235**	**9,439,050**
Depreciation & amortisation							
At 1 January 2016	4,118,612	6,895,933	1,186,305	283,472	4,088,138	16,572,460	4,517,074
Charge for the year	1,029,653	641,807	100,824	11,433	921,774	2,705,491	1,015,863
On disposals	-	(29,005)	-	(40,330)	(53,531)	(122,866)	-
At 31 December 2016	5,148,265	7,508,735	1,287,129	254,575	4,956,381	19,155,085	5,532,937
At 1 January 2017	5,148,265	7,508,735	1,287,129	254,575	4,956,381	19,155,085	5,532,937
Charge for the year	1,029,655	774,345	104,266	5,012	931,435	2,844,713	871,090
On disposals	-	(2,200)	(17,999)	-	-	(20,199)	-
At 31 December 2017	**6,177,920**	**8,280,880**	**1,373,396**	**259,587**	**5,887,816**	**21,979,599**	**6,404,027**
Carrying amounts							
At 31 December 2016	29,166,446	1,686,284	219,312	10,475	2,057,354	33,139,871	2,108,947
At 31 December 2017	**28,136,791**	**1,017,579**	**133,815**	**5,463**	**1,404,988**	**30,698,636**	**3,035,023**

8.2 Intangible assets

		2017 **AED**	2016 AED
Software	8.1	**3,035,023**	2,108,947

9. Investment properties (within UAE)

	2017 **AED**	2016 AED
At 1 January	**227,277,827**	225,781,060
Change in fair value	**1,411,463**	1,496,767
At 31 December	**228,689,290**	227,277,827

9. Investment properties (within UAE) *(continued)*

	2017 AED Cost	**2017 AED Fair Value**	2016 AED Cost	2016 AED Fair Value
Land	**119,627,060**	**139,300,000**	119,627,060	138,150,000
Office building	**63,156,439**	**89,389,290**	63,156,439	89,127,827
Total	**182,783,499**	**228,689,290**	182,783,499	227,277,827

Investment property includes two plots of land, and rented out portion of a commercial building.

The carrying amount of investment property is the fair value of the property as determined by an independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued and is reviewed by the Board of Directors on a yearly basis. Fair values were determined based on income valuation approach, sales comparative approach and open market value basis. Significant assumption taken by the valuer are mentioned on Note 5.

The rental income and operating expenses relating to these properties are as follows:

	2017 AED	2016 AED
Fair value gain on investment properties - net	**1,411,463**	1,496,767
Rental income	**6,386,647**	6,240,327
Operating expenses	**(1,929,078)**	(2,063,377)
Net rental income	**4,457,569**	4,176,950

10. Investment securities

	2017 AED	2016 AED
Financial assets at fair value through profit or loss	**189,669,387**	166,931,334
Financial assets at fair value through other comprehensive income	**44,565,553**	44,974,918
Financial assets at amortised cost	**24,192,500**	15,000,000
At 31 December	**258,427,440**	226,906,252

	2017 AED	2016 AED
Investments made		
- Within UAE	**233,456,232**	200,162,233
- Outside UAE	**24,971,208**	26,744,019
At 31 December	**258,427,440**	226,906,252

10. Investment securities *(continued)*

10.1 Investments at fair valued through profit or loss

	2017 AED	2016 AED
Investments held on behalf of policyholders of unit linked products (note 24)	**45,249,827**	37,195,602
Equity investments – quoted	**99,838,109**	74,306,519
Fixed income investments/ bonds – quoted	**44,581,451**	55,429,213
At 31 December	**189,669,387**	166,931,334

Equity investments classified at fair value through profit or loss are designated in this category upon the initial recognition.

During the year ended 31 December 2017, the Company purchased shares worth AED 16.1 million (2016: AED 57.4 million) measured at fair value through profit or loss.

11. Insurance and other receivables

	2017 AED	2016 AED
Premium receivable	**120,832,911**	103,292,877
Reinsurance companies	**43,807,614**	48,383,391
Insurance agents and brokers	**17,092,366**	3,227,244
Due from related parties (Refer note 20)	**5,122,806**	10,342,898
Accrual of interest and other income	**3,584,413**	2,396,257
Deferred acquisition cost	**9,507,487**	11,581,196
Prepayments	**3,157,763**	2,852,918
Other receivables	**3,661,226**	193,270
	206,766,586	182,270,051
Less: provision for doubtful receivables (note 11.1)	**(7,500,000)**	(6,000,000)
At 31 December	**199,266,586**	176,270,051

11.1 Provision for doubtful receivables

	2017 AED	2016 AED
Balance 1 January	**6,000,000**	6,000,000
Provision during the year	**1,500,000**	-
At 31 December	**7,500,000**	6,000,000

12 Cash and bank balances (within UAE)

	2017 AED	2016 AED
Cash in hand	**193,479**	788,504
Cash at bank	**29,979,680**	54,627,500
Short term deposits	**227,116,177**	191,838,410
	257,289,336	247,254,414
Less : deposits with original maturities of greater than three months	**(227,116,177)**	(191,838,410)
Cash and cash equivalents at 31 December	**30,173,159**	55,416,004

12.1 Statutory deposit

	2017 AED	2016 AED
Bank deposits maintained in accordance with Article 42 of UAE Federal Law No. 6 of 2007	**7,500,000**	7,500,000
	7,500,000	7,500,000

13. Insurance contract liabilities and reinsurance assets

Outstanding claims reserve

	2017	2016
	AED	AED
Reserve for outstanding claims	**171,753,184**	234,827,820
Reserve for incurred but not reported claims (IBNR)	**62,157,572**	32,824,295
	233,910,756	267,652,115
Life assurance fund	**77,994,856**	71,963,814
Unearned premium reserve	**209,182,198**	236,293,978
Insurance contract liabilities	**521,087,810**	575,909,907
Less: Reinsurance assets		
Reinsurer share of outstanding claims	**(139,688,837)**	(200,406,176)
Reinsurer share of incurred but not reported claims (IBNR)	**(39,812,025)**	(13,056,485)
Unamortised reinsurance premium reserve	**(103,116,204)**	(128,422,336)
Reinsurance assets	**(282,617,066)**	(341,884,997)
Net insurance contract liabilities as at 31 December	**238,470,744**	234,024,910

Movements in outstanding claims and reinsurance assets (including IBNR)

	2017		
	Gross	**Reinsurance**	**Net**
	AED	**AED**	**AED**
Total at the beginning of the year	**267,652,115**	**(213,462,661)**	**54,189,454**
Less: settled during the year	**(401,936,408)**	**237,731,080**	**(164,205,328)**
Add: provision made during the year	**368,195,049**	**(203,769,281)**	**164,425,768**
At 31 December	**233,910,756**	**(179,500,862)**	**54,409,894**

	2016		
	Gross	Reinsurance	Net
	AED	AED	AED
Total at the beginning of the year	195,357,929	(128,183,527)	67,174,402
Less: settled during the year	(354,954,922)	151,648,339	(203,306,583)
Add: provision made during the year	427,249,108	(236,927,473)	190,321,635
At 31 December	267,652,115	(213,462,661)	54,189,454

Movements in unearned premium reserve

	2017		
	Gross	**Reinsurance**	**Net**
	AED	**AED**	**AED**
Balance at 1 January	**236,293,978**	**(128,422,336)**	**107,871,642**
Provision made during the year	**209,182,198**	**(103,116,204)**	**106,065,994**
Provision released during the year	**(236,293,978)**	**128,422,336**	**(107,871,642)**
At 31 December	**209,182,198**	**(103,116,204)**	**106,065,994**

	2016		
	Gross	Reinsurance	Net
	AED	AED	AED
Balance at 1 January	236,033,264	(94,565,241)	141,468,023
Provision made during the year	236,293,978	(128,422,336)	107,871,642
Provision released during the year	(236,033,264)	94,565,241	(141,468,023)
At 31 December	236,293,978	(128,422,336)	107,871,642

13. Insurance contract liabilities and reinsurance assets *(continued)*

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market practices or other published information.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The method used by the Company for provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

The assumptions that have the greatest effect on the measurement of insurance contract liabilities are the expected loss ratios for the most recent accident years.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process. The Company believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

Claim development table

			Underwriting year		
	2014 AED	2015 AED	2016 AED	2017 AED	Total AED
Gross					
Estimate of net incurred claims costs					
- At the end of underwriting year	220,503,495	180,760,575	271,265,210	362,613,781	1,035,143,061
- One year later	267,344,373	234,897,732	418,823,426	-	921,065,531
- Two years later	272,608,161	308,005,530	-	-	580,613,691
- Three years later	283,907,180	-	-	-	283,907,180
Current estimate of incurred claims	283,907,180	308,005,530	418,823,426	362,613,781	1,373,349,917
Cumulative payments to date	(274,023,441)	(299,199,859)	(372,787,798)	(201,683,531)	(1,147,694,629)
Liability recognised	9,883,739	8,805,671	46,035,628	160,930,250	225,655,288
Liability in respect of prior years					8,255,468
Total liability included in the statement of financial position					233,910,756
Net					
Estimate of net incurred claims costs					
- At the end of underwriting year	201,396,966	152,392,642	147,819,238	140,325,986	641,934,832
- One year later	230,484,480	185,229,571	185,476,846	-	601,190,897
- Two years later	232,356,051	194,966,477	-	-	427,322,528
- Three years later	234,513,050	-	-	-	234,513,050
Current estimate of incurred claims	234,513,050	194,966,477	185,476,846	140,325,987	755,282,360
Cumulative payments to date	(232,767,739)	(192,087,798)	(177,185,361)	(101,458,725)	(703,499,623)
Liability recognised	1,745,311	2,878,679	8,291,485	38,867,262	51,782,737
Liability in respect of prior years					2,627,157
Total liability included in the statement of financial position					54,409,894

13. Insurance contract liabilities and reinsurance assets *(continued)*

Summary of the Actuary's report on the Technical Provisions

Gross reserves	**As at 31 December 2017**		
	Life insurance AED	**General insurance AED**	**Total AED**
Reserve for outstanding claims (including IBNR)	**16,442,778**	**217,467,978**	**233,910,756**
Unearned premium reserve	**-**	**209,182,198**	**209,182,198**
Life assurance fund	**77,994,856**	**-**	**77,994,856**
Total	**94,437,634**	**426,650,176**	**521,087,810**

Net reserves	**As at 31 December 2017**		
	Life insurance AED	**General insurance AED**	**Total AED**
Reserve for outstanding claims (including IBNR)	**4,450,719**	**49,959,175**	**54,409,894**
Unearned premium reserve	**-**	**106,065,994**	**106,065,994**
Life assurance fund	**77,994,856**	**-**	**77,994,856**
Total	**82,445,575**	**156,025,169**	**238,470,744**

Gross reserves	As at 31 December 2016		
	Life insurance AED	General insurance AED	Total AED
Reserve for outstanding claims (including IBNR)	15,256,935	252,395,180	267,652,115
Unearned premium reserve	-	236,293,978	236,293,978
Life assurance fund	71,963,814	-	71,963,814
Total	87,220,749	488,689,158	575,909,907

Net reserves	As at 31 December 2016		
	Life insurance AED	General insurance AED	Total AED
Reserve for outstanding claims (including IBNR)	3,806,307	50,383,147	54,189,454
Unearned premium reserve	-	107,871,642	107,871,642
Life assurance fund	71,963,814	-	71,963,814
Total	75,770,121	158,254,789	234,024,910

Actuarial estimation of the insurance liabilities has been performed by the independent actuary in accordance with the requirement of new financial regulations issued under Federal Law No. 6 of 2007 pertaining to the insurance companies and agents. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

14. Insurance and other payables

	2017	2016
	AED	AED
Creditors	**71,349,489**	32,941,015
Reinsurance companies	**83,132,959**	77,073,258
Premium reserve withheld	**49,023,218**	55,104,188
Due to related parties (refer note 20)	**1,164,560**	3,340,273
Accrued expenses	**6,074,342**	5,896,345
Employee terminal benefits	**10,904,895**	11,863,425
Commission payable	**6,061,595**	5,979,877
Other payable balances	**1,052,701**	1,670,478
At 31 December	**228,763,759**	193,868,859

15. Share capital and reserves

The Company's issued and fully paid share capital comprises 149,954,112 shares of AED 1 each.

	2017		2016	
	No. of Shares	**AED**	No. of Shares	AED
At 31 December	**149,954,112**	**149,954,112**	149,954,112	149,954,112

In accordance with the Company's Articles of Association and UAE Federal Law No. 2 of 2015, the Company transfers 10% of annual net profits, if any, to the legal reserve until it equals 50% of the share capital. Also, in accordance with its Articles of Association, 10% of annual net profits, if any, may be transferred to a general reserve until it is suspended by an Ordinary General Meeting upon a proposal by the Board of Directors or if this reserve amounts to 50% of the paid capital of the Company. The General reserve can be utilised for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Director. The legal reserve and general reserve have reached 50% of share capital during the year.

The fair value reserve comprises the cumulative net change in fair value of financial assets designated as fair value through other comprehensive income.

16. Proposed cash dividend

The Board of Directors propose a cash dividend of AED 22.5 million (2016: AED 17.9 million).

17. Proposed directors' fees

In accordance with Article 169 of Federal Law No. 2 of 2015 , the Board of Directors has proposed remuneration of AED 2.5 million (2016: AED 1.5 million).

18. Net income from investments

	For the year ended 31 December	
	2017	2016
	AED	AED
Dividend income	**2,951,092**	2,177,271
Realised gains on investments	**2,070,368**	6,591,432
Unrealised (loss) / gain on investments fair valued through profit or loss	**(4,684,941)**	2,034,722
Expenses/ charges on securities	**(460,838)**	(416,818)
	(124,319)	10,386,607

19. General and administrative expenses

	For the year ended 31 December	
	2017	2016
	AED	AED
General and administrative expenses for underwriting operations	**47,722,949**	50,939,808
Others- for investments and centralised operation	**14,830,503**	12,753,228
Total	**62,553,452**	63,693,036

The above general and administration expenses include the following costs:

	2017	2016
	AED	AED
Staff costs	**36,987,646**	39,904,940
Rent	**2,360,659**	2,170,553
Depreciation	**3,715,803**	3,720,819
Others	**19,489,344**	17,896,724
Total	**62,553,452**	63,693,036
Number of employees at 31 December	**371**	371

During the year ended 31 December 2017, the Company has paid AED 0.02 million (2016: AED 0.03 million) for various social contribution purposes.

20. Related party transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 (Revised). Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, executive or otherwise. Related party transactions are executed at the terms agreed between the parties, which the Company's management believes are not significantly different from those that could have been obtained from third parties.

a) Transactions with related parties

	2017	2016
	AED	AED
Premiums written	**69,791,041**	50,976,280
Claims paid	**36,842,897**	35,513,174
Key management personnel (remuneration including benefits)	**11,597,577**	12,107,055
Interest income	**528,161**	358,989
Dividend paid	**12,822,247**	12,822,247

b) Due from related parties

Insurance premium receivable (included in receivables)	**5,122,806**	10,342,898

c) Due to related parties

Payable to a related party (included in payables)	**1,164,560**	3,340,273

20. Related party transactions *(continued)*

	2017	2016
	AED	AED
d) Cash and cash equivalents		
Cash at bank	**9,162,759**	22,363,591
Short term deposit	**60,967,007**	58,964,049

21. Contingent liabilities and commitments

Leases as a lessor

Non cancellable operating lease rentals are payable as follows:

	2017	2016
	AED	AED
Less than one year	**499,784**	835,095

The Company leases office premises under operating lease. The leases typically run for a period of one year, with an option to renew the lease after that date.

Lease rentals are usually increased / decreased annually to reflect the market rentals. During the year, AED 6.4 million (2016: AED 6.2 million) was recognised as gross rental income in respect of operating leases.

Capital commitments

Capital commitments as at 31 December 2017 amounted to nil (2016: nil).

Guarantees

	2017	2016
	AED	AED
Letters of guarantees	**10,857,656**	9,836,234

Fixed deposit amounting to AED 15.7 million (2016: AED 15.4 million) are under lien as collateral in respect of above guarantees (refer note 11). Guarantees includes an amount of AED 7.5 million (2016: AED 7.5 million) favoring the Ministry of Economy.

Contingent liabilities

The Company, in common with other insurance companies, is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Company in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

22. Segment information

Operating segment information

For management purposes the Company is organised into two operating segments, general insurance and life assurance. These segments are the basis on which Company reports its primary segment information

	General insurance		Life assurance		Total	
	2017	2016	**2017**	2016	**2017**	2016
	AED	AED	**AED**	AED	**AED**	AED
UNDERWRITING INCOME						
Gross written premium	**510,690,330**	484,207,646	**60,962,740**	65,810,336	**571,653,070**	550,017,982
Reinsurance ceded	**(277,583,251)**	(274,573,123)	**(20,191,442)**	(23,789,900)	**(297,774,693)**	(298,363,023)
Net premium	**233,107,079**	209,634,523	**40,771,298**	42,020,436	**273,878,377**	251,654,959
Change in unearned premium provision	**1,185,419**	33,487,765	**620,229**	108,615	**1,805,648**	33,596,380
Reinsurance commission earned	**27,643,266**	34,953,121	**6,084,200**	4,274,335	**33,727,466**	39,227,456
Total underwriting income	**261,935,764**	278,075,409	**47,475,727**	46,403,386	**309,411,491**	324,478,795
UNDERWRITING EXPENSES						
Net incurred claims	**(130,886,353)**	(162,171,622)	**(33,539,415)**	(28,150,013)	**(164,425,768)**	(190,321,635)
Commission incurred	**(51,052,723)**	(52,946,305)	**(3,500,623)**	(5,545,908)	**(54,553,346)**	(58,492,213)
Administrative expenses	**(43,897,971)**	(43,893,094)	**(3,824,978)**	(7,046,714)	**(47,722,949)**	(50,939,808)
Total underwriting expenses	**(225,837,047)**	(259,011,021)	**(40,865,016)**	(40,742,635)	**(266,702,063)**	(299,753,656)
Profit before movement in life assurance fund	**36,098,717**	19,064,388	**6,610,711**	5,660,751	**42,709,428**	24,725,139
Net movement in life assurance fund and payable to policyholders of unit linked products	**-**	-	**(14,085,267)**	(10,017,100)	**(14,085,267)**	(10,017,100)
Increase in fair value of investment held for unit linked products	**-**	-	**9,042,268**	2,867,963	**9,042,268**	2,867,963
Underwriting profit	**36,098,717**	19,064,388	**1,567,712**	(1,488,386)	**37,666,429**	17,576,002
Profit from investments, interest and rental income					**14,147,133**	23,614,504
Unallocated expenses					**(14,830,503)**	(12,753,228)
Net profit for the year					**36,983,059**	28,437,278

22. Segment information *(continued)*

Operating segment information

For management purposes the Company is organised into two operating segments, general insurance and life assurance. These segments are the basis on which Company reports its primary segment information.

	General insurance		Life assurance		Total	
	2017	2016	**2017**	2016	**2017**	2016
	AED	AED	**AED**	AED	**AED**	AED
ASSETS						
Property and equipment	**29,850,478**	32,291,713	**848,158**	848,158	**30,698,636**	33,139,871
Intangible assets	**3,035,023**	2,108,947	**-**	-	**3,035,023**	2,108,947
Investment properties	**185,139,290**	227,277,827	**43,550,000**	-	**228,689,290**	227,277,827
Investments securities	**153,080,412**	138,672,770	**105,347,028**	88,233,482	**258,427,440**	226,906,252
Reinsurance assets	**269,657,420**	329,232,722	**12,959,646**	12,652,275	**282,617,066**	341,884,997
Insurance receivables	**189,400,011**	168,841,453	**9,866,575**	7,428,598	**199,266,586**	176,270,051
Cash and bank balances	**203,756,772**	216,857,238	**53,532,564**	30,397,176	**257,289,336**	247,254,414
Total assets	**1,033,919,406**	1,115,282,670	**226,103,971**	139,559,689	**1,260,023,377**	1,254,842,359
LIABILITIES						
Insurance contract liabilities	**424,129,891**	485,391,344	**96,957,919**	90,518,563	**521,087,810**	575,909,907
Insurance and other payables	**222,522,685**	187,416,055	**6,241,074**	6,452,804	**228,763,759**	193,868,859
Payable to policyholders of unit linked products	**-**	-	**45,249,827**	37,195,602	**45,249,827**	37,195,602
Total liabilities	**646,652,576**	672,807,399	**148,448,820**	134,166,969	**795,101,396**	806,974,368
EQUITY						
Share capital	**-**	-	**-**	-	**149,954,112**	149,954,112
Legal reserve	**-**	-	**-**	-	**74,977,056**	73,143,606
General reserve	**-**	-	**-**	-	**74,977,056**	72,527,620
Fair value reserve	**-**	-	**-**	-	**(53,243)**	356,121
Retained earnings	**-**	-	**-**	-	**165,067,000**	151,886,532
Total equity	**-**	-	**-**	-	**464,921,981**	447,867,991
Total liabilities and equity	**-**	-	**-**	-	**1,260,023,377**	1,254,842,359

23. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year, as set out below:

	2017 **AED**	2016 AED
Net profit for the year	**36,983,059**	28,437,278
Weighted average number of shares outstanding during the year	**149,954,112**	149,954,112
Basic earnings per share	**0.25**	0.19

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

24. Payable to policyholders of unit linked products - at FVTPL

	2017 **AED**	2016 AED
As at 1 January	**37,195,602**	36,634,723
Amount invested by policyholders	**11,707,674**	7,199,689
Amount withdrawn at redemption/ lapse / surrender by policyholder	**(12,695,717)**	(9,506,773)
Change in fair value	**9,042,268**	2,867,963
At 31 December (Note 10.1)	**45,249,827**	37,195,602

25. Comparative figures

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