

**AL BUHAIRA NATIONAL INSURANCE COMPANY P.S.C.  
AND ITS SUBSIDIARY**

**Independent auditor's report and consolidated financial statements  
for the year ended 31 December 2017**

## **AL BUHAIRA NATIONAL INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARY**

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## **Directors' report**

The Board of Directors has pleasure in submitting their report and the audited financial statements for the year ended 31 December 2017.

## **Incorporation and registered offices**

Al Buhaira National Insurance Company P.S.C. – Sharjah, is incorporated as a public shareholding Company by an Emiri Decree issued by His Highness, The Ruler of Sharjah on 16 May 1978. The Company is subject to the regulations of UAE Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of U.A.E. The Company is registered in the Insurance Companies register of Insurance Authority of UAE under registration number 15. The address of the Company's registered corporate office is P.O. Box 6000, Sharjah, United Arab Emirates.

## **Principal activities**

The principal activity of the Company is the writing of insurance of all types - other than savings and accumulation of funds. The Group operates through its Head Office in Sharjah and has branches in Dubai, Abu Dhabi, Al Ain, Khorfakkan, Fujairah and Ajman.

## **Financial position and results**

The consolidated financial position and results of the Group for the year ended 31 December 2017 are set out in the accompanying consolidated financial statements.

## **Dividend**

The Directors recommend the distribution of a 10% cash dividend in respect of the year ended 31 December 2017.

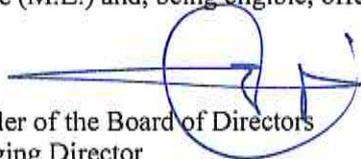
## **Directors**

The following were the Directors of the Group for the year ended 31 December 2017:

Sheikh Faisal Bin Khalid Sultan Al Qasimi (Chairman)  
Sheikh Abdulla Mohd Ali Al Thani (Vice Chairman)  
Sheikh Khaled Abdulla Sultan Al Qasimi (Managing Director)  
Mr. Abdalla Juma Al Sari (Director)  
Mr. Rashid Ali Rashid Dimas Al Suwaidi (Director)  
Mr. Humaid Mohamed Humaid Mohamed Shattaf (Director)  
Mr. Ali Mohammed Kayed (Director)  
Mr. Nader T. Qaddumi (General Manager)

## **Auditors**

The consolidated financial statements for the year ended 31 December 2017 have been audited by Deloitte & Touche (M.E.) and, being eligible, offer themselves for reappointment.



By order of the Board of Directors  
Managing Director

15 March 2018

## INDEPENDENT AUDITOR'S REPORT

**The Shareholders of  
Al Buhaira National Insurance Company P.S.C.  
Sharjah  
United Arab Emirates**

### **Report on the audit of the consolidated financial statements**

#### **Opinion**

We have audited the consolidated financial statements of **Al Buhaira National Insurance Company P.S.C. (the "Company") and its subsidiary (together the "Group")**, Sharjah, United Arab Emirates which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Al Buhaira National Insurance Company P.S.C. (the "Company") and its subsidiary (together the "Group")**, Sharjah, United Arab Emirates as at 31 December 2017 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### **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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of Group's consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

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

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**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF  
AL BUHAIRA NATIONAL INSURANCE COMPANY P.S.C. (continued)**

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of insurance contract liabilities and reinsurance contract assets</i></p> <p>As at 31 December 2017, insurance contract liabilities and reinsurance contract assets amounted to AED 459 million and AED 236 million respectively, as detailed in note 9 to these consolidated financial statements.</p> <p>As set out in notes 3 and 4, valuation of these liabilities requires professional judgment and also involve number of assumptions made by management. Reinsurance contract assets includes amounts that the Group is entitled to receive under the reinsurance contracts and, more specifically, the share of the reinsurer in the insurance contract liabilities recorded by the Group.</p> <p>This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and related technical reserves. A range of methods are used by management and the independent external actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities.</p> <p>As a result of all the above factors, we consider the valuation of insurance contract liabilities and reinsurance contract assets as key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Testing the underlying Group data to source documentation.</li> <li>• Evaluating and testing the claims handling and case reserve setting processes of the Group including allocation of reinsurance portion of claims.</li> <li>• Evaluating and testing of key controls designed to ensure the integrity of the data used in the actuarial reserving process.</li> <li>• Checking samples of claims case reserves through comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters, confirmations obtained from lawyers, reinsurance contracts etc.</li> <li>• Re-performing reconciliations between the claims data recorded in the Group’s systems and the data used in the actuarial reserving calculations.</li> <li>• Recalculating the unearned premium portion and cross checking the same with Group’s calculation.</li> <li>• Checking samples of unearned premium with appropriate documentation.</li> </ul> <p>In addition, with the assistance of our actuarial specialists, we:</p> <ul style="list-style-type: none"> <li>• performed necessary reviews to ascertain whether the results are appropriate for financial disclosure.</li> <li>• reviewed the actuarial report compiled by the independent external actuary of the Group and calculations underlying these provisions, particularly the following areas:               <ul style="list-style-type: none"> <li>• Appropriateness of the calculation methods and approach (actuarial best practice)</li> <li>• Review of assumptions</li> <li>• Sensitivities to key assumptions</li> <li>• Risk profiles</li> <li>• Consistency between valuation periods</li> <li>• General application of financial and mathematical rules.</li> </ul> </li> </ul>

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**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF  
AL BUHAIRA NATIONAL INSURANCE COMPANY P.S.C. (continued)**

**Key audit matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><i>Valuation of investment properties</i></p> <p>Under fair value model, investment properties are remeasured at fair value, which is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Gains or losses arising from changes in the fair value of investment properties is included in net profit or loss for the period in which it arises.</p> <p>The valuation of investment properties, as detailed in Note 4 and 6, requires significant judgement and estimates by management and the independent external valuers. The existence of significant estimation and judgement, coupled with change in valuation assumption used could result in material misstatement.</p> <p>We consider the valuation of investment properties a key audit matter, given the significant measurement uncertainty and judgements involved.</p>	<p>The Group has involved two external valuers in order to value the investment properties for the purpose of determining the fair value for inclusion in the consolidated financial statements.</p> <p>As part of our audit procedures, we assessed the competence, capabilities, objectivity and verified the qualifications of the external valuer.</p> <p>In addition to above, we made use of our internal experts to review the reasonableness on a sample basis of :</p> <ul style="list-style-type: none"> <li>• methodologies used and the appropriateness of the key assumptions, and</li> <li>• accuracy and relevance of the input data used for deriving fair values.</li> </ul>

**Other information**

The Board of Directors and management is responsible for the other information, which comprises the Directors’ Report which we obtained prior to the date of this auditor’s report and the remaining of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
AL BUHAIRA NATIONAL INSURANCE COMPANY P.S.C. (continued)**

**Other information (continued)**

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

The Directors are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
AL BUHAIRA NATIONAL INSURANCE COMPANY P.S.C. (continued)**

**Auditor's Responsibilities for the audit of the Consolidated Financial Statements (continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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 we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of account;

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
AL BUHAIRA NATIONAL INSURANCE COMPANY P.S.C. (continued)****Report on other Legal and Regulatory Requirements (continued)**

- iv) the financial information included in the Directors' report is consistent with the books of account of the Group;
- v) as disclosed in Note 7 to the consolidated financial statements, the Group has purchased and invested in shares during the financial year ended 31 December 2017;
- vi) Note 21 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has, during the financial year ended 31 December 2017, contravened any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2017; and
- viii) as disclosed in Note 28 to the consolidated financial statements, the Group did not make any social contributions during the year ended 31 December 2017.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit. The Group is in the process of complying with the requirements of the Financial Regulations for Insurance Companies issued by the Insurance Authority pertaining to Article (1) of Section (7) and Appendix (1) relating to presentation of financial statements and disclosures, Article (8) of Section (2) and Article (3) of Section (1), relating to maintenance of solvency margin; and asset distribution and allocation limits respectively.

Deloitte & Touche (M.E.)



Signed by:  
Samir Madbak  
Registration No. 386  
15 March 2018  
Sharjah, United Arab Emirates

**Consolidated statement of financial position**  
**At 31 December 2017**

	Notes	2017 AED	2016 AED
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	4,551,314	4,193,513
Investment properties	6	920,540,601	920,540,601
Available-for-sale investments	7	54,130,626	52,856,907
Statutory deposit	8	10,000,000	6,000,000
<b>Total non-current assets</b>		<b>989,222,541</b>	<b>983,591,021</b>
<b>Current assets</b>			
Reinsurance contract assets	9	236,351,384	229,278,497
Insurance and other receivables	10	328,993,672	399,704,841
Bank balances and cash	11	202,286,221	174,631,281
<b>Total current assets</b>		<b>767,631,277</b>	<b>803,614,619</b>
<b>Total assets</b>		<b>1,756,853,818</b>	<b>1,787,205,640</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	250,000,000	250,000,000
Statutory reserve	13.1	111,467,989	106,244,531
Voluntary reserve	13.2	200,000,000	200,000,000
Cumulative changes in fair value of available-for-sale investments		(5,975,607)	(9,569,097)
Retained earnings		108,189,775	87,578,649
<b>Total equity</b>		<b>663,682,157</b>	<b>634,254,083</b>
<b>Non-current liabilities</b>			
Provision for employees' end of service indemnity	14	34,080,440	32,886,177
Bank borrowings	15	361,570,797	296,356,465
<b>Total non-current liabilities</b>		<b>395,651,237</b>	<b>329,242,642</b>
<b>Current liabilities</b>			
Insurance contract liabilities	9	459,052,971	519,160,512
Insurance and other payables	16	160,296,451	191,515,498
Bank borrowings	15	78,171,002	113,032,905
<b>Total current liabilities</b>		<b>697,520,424</b>	<b>823,708,915</b>
<b>Total liabilities</b>		<b>1,093,171,661</b>	<b>1,152,951,557</b>
<b>Total equity and liabilities</b>		<b>1,756,853,818</b>	<b>1,787,205,640</b>



Chairman



General Manager

The accompanying notes form an integral part of these consolidated financial statements.

**Consolidated statement of income**  
**For the year ended 31 December 2017**

	Notes	2017 AED	2016 AED
Insurance premium revenue	17	537,401,188	684,994,760
Insurance premium ceded to reinsurers	17	(243,950,099)	(361,404,733)
<b>Net insurance premium revenue</b>	17	<b>293,451,089</b>	<b>323,590,027</b>
Gross claims incurred	9	(373,805,504)	(543,209,704)
Insurance claims recovered from insurers	9	125,475,612	249,427,997
<b>Net claims incurred</b>	9	<b>(248,329,892)</b>	<b>(293,781,707)</b>
Gross commission earned		62,734,997	59,498,249
Less: commission paid		(24,721,544)	(21,056,777)
<b>Net commission earned</b>		<b>38,013,453</b>	<b>38,441,472</b>
<b>Underwriting profit</b>		<b>83,134,650</b>	<b>68,249,792</b>
General and administrative expenses relating to underwriting activities		(52,387,020)	(43,070,561)
<b>Net underwriting profit</b>		<b>30,747,630</b>	<b>25,179,231</b>
Investment and other income	18	49,733,063	45,998,339
Finance costs		(16,127,809)	(14,914,090)
Unallocated general and administrative expenses		(12,118,300)	(13,536,021)
<b>Profit for the year</b>	19	<b>52,234,584</b>	<b>42,727,459</b>
<b>Basic earnings per share</b>	20	<b>0.21</b>	<b>0.17</b>

The accompanying notes form an integral part of these consolidated financial statements.

**Consolidated statement of comprehensive income**  
**For the year ended 31 December 2017**

	2017 AED	2016 AED
Profit for the year	52,234,584	42,727,459
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Unrealised loss on revaluation of available-for-sale investments recognised directly in equity	(2,055,471)	(2,041,643)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Transfer to consolidated statement of income on sale of available-for-sale investments	648,961	997,821
Reclassification adjustment relating to available-for-sale investment impaired during the year	5,000,000	4,000,000
<b>Total other comprehensive income for the year</b>	<b>3,593,490</b>	<b>2,956,178</b>
<b>Total comprehensive income for the year</b>	<b>55,828,074</b>	<b>45,683,637</b>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity  
For the year ended 31 December 2017

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Cumulative changes in fair value of available-for-sale investments AED	Retained earnings AED	Total AED
Balance at 31 December 2015	250,000,000	101,971,785	200,000,000	(12,525,275)	75,323,936	614,770,446
Profit for the year	-	-	-	-	42,727,459	42,727,459
Other comprehensive income for the year	-	-	-	2,956,178	-	2,956,178
Total comprehensive income for the year	-	-	-	2,956,178	42,727,459	45,683,637
Transfer to statutory reserve	-	4,272,746	-	-	(4,272,746)	-
Board of Directors' remuneration (Note 27)	-	-	-	-	(1,200,000)	(1,200,000)
Dividends (Note 27)	-	-	-	-	(25,000,000)	(25,000,000)
Balance at 31 December 2016	250,000,000	106,244,531	200,000,000	(9,569,097)	87,578,649	634,254,083
Profit for the year	-	-	-	-	52,234,584	52,234,584
Other comprehensive income for the year	-	-	-	3,593,490	-	3,593,490
Total comprehensive income for the year	-	-	-	3,593,490	52,234,584	55,828,074
Transfer to statutory reserve	-	5,223,458	-	-	(5,223,458)	-
Board of Directors' remuneration (Note 27)	-	-	-	-	(1,400,000)	(1,400,000)
Dividends (Note 27)	-	-	-	-	(25,000,000)	(25,000,000)
<b>Balance at 31 December 2017</b>	<b>250,000,000</b>	<b>111,467,989</b>	<b>200,000,000</b>	<b>(5,975,607)</b>	<b>108,189,775</b>	<b>663,682,157</b>

The accompanying notes form an integral part of these consolidated financial statements.

**Consolidated statement of cash flows**  
**For the year ended 31 December 2017**

	2017 AED	2016 AED
<b>Cash flows from operating activities</b>		
Profit for the year	52,234,584	42,727,459
Adjustments for:		
Depreciation of property and equipment	1,648,260	1,864,494
Allowance for doubtful debts	4,500,000	4,000,000
Interest income on deposits	(4,391,999)	(2,914,972)
Dividend from investments	(1,195,017)	(1,153,682)
Net rental income from investment properties	(48,660,874)	(50,743,920)
Impairment on available for sale financial assets	5,000,000	4,000,000
Impairment of investment properties	-	4,000,000
(Gain)/loss on sale of available for sale financial assets	(394,885)	857,315
Provision for employees' end of service indemnity - net	2,899,692	2,920,079
Gain on disposal of property and equipment	(3,351)	(1,981)
Finance costs	16,127,809	14,914,090
<b>Operating cash flows before changes in assets and liabilities</b>	<b>27,764,219</b>	<b>20,468,882</b>
Decrease/(increase) in insurance and other receivables	66,211,169	(35,673,737)
Increase in reinsurance contract assets	(7,072,887)	(13,270,648)
(Decrease)/increase in insurance and other payables	(31,219,047)	1,231,130
Increase in statutory deposits	(4,000,000)	-
(Decrease)/increase in insurance contract liabilities	(60,107,541)	46,383,444
<b>Cash (used in)/ generated from operating activities</b>	<b>(8,424,087)</b>	<b>19,139,071</b>
Employees' end of service indemnity paid	(1,705,429)	(621,400)
<b>Net cash (used in)/generated from operating activities</b>	<b>(10,129,516)</b>	<b>18,517,671</b>
<b>Cash flows from investing activities</b>		
(Increase)/decrease in fixed deposits with bank under lien or with maturity after three months	(45,831,247)	17,669,923
Purchase of available-for-sale financial assets	(19,022,969)	(283,907)
Proceeds from sale of available for sale financial assets	16,737,625	1,672,003
Purchase of property and equipment	(2,006,733)	(1,058,259)
Proceeds from disposal of property and equipment	4,023	12,691
Finance income received	4,391,999	2,914,972
Dividends received	1,195,017	1,153,682
Net rental income from investment properties	48,660,874	50,743,920
<b>Net cash generated from investing activities</b>	<b>4,128,589</b>	<b>72,825,025</b>
<b>Cash flows from financing activities</b>		
Increase/(decrease) in bank borrowings - net	30,352,429	(30,961,301)
Interest costs paid	(16,127,809)	(14,914,090)
Dividends paid	(25,000,000)	(25,000,000)
Directors' remuneration paid	(1,400,000)	(1,200,000)
<b>Net cash used in financing activities</b>	<b>(12,175,380)</b>	<b>(72,075,391)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(18,176,307)</b>	<b>19,267,305</b>
Cash and cash equivalents at the beginning of the year	29,407,087	10,139,782
<b>Cash and cash equivalents at the end of the year (Note 11)</b>	<b>11,230,780</b>	<b>29,407,087</b>

The accompanying notes form an integral part of these consolidated financial statements.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017**

**1. General information**

Al Buhaira National Insurance Company P.S.C. (the “Company”) is incorporated as a public shareholding company by an Emiri Decree issued by His Highness, The Ruler of Sharjah on 16 May 1978. The Company is subject to the regulations of UAE Federal Law No. 6 of 2007, concerning the Establishment of Insurance Authority of U.A.E. and is registered in the Insurance Companies register of Insurance Authority of U.A.E. under registration Number 15. The address of the Company’s registered corporate office is P.O. Box 6000, Sharjah, United Arab Emirates.

The Group consists of Al Buhaira National Company P.S.C. and its subsidiary (the “Group”) as disclosed in Note 3.3 to the consolidated financial statements.

The principal activity of the Company is the writing of insurance of all types - other than savings and accumulation of funds. The Group operates through its Head Office in Sharjah and has branches in Dubai, Abu Dhabi, Al Ain, Khorfakkan, Fujairah and Ajman.

**2. Application of new and revised International Financial Reporting Standards (IFRS)**

**2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* recognition of deferred tax assets for unrealised losses.
- Amendments to IAS 7 *Disclosure Initiative*.
- Annual Improvements to IFRS Standards 2014-2016 Cycle – Amendments to IFRS 12.

**2.2 New and revised IFRS in issue but not yet effective**

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.	1 January 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**2.2 New and revised IFRS in issue but not yet effective (continued)**

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>IFRIC 23 <i>Uncertainty over Income Tax Treatments</i></p> <p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> <li>• Whether tax treatments should be considered collectively;</li> <li>• Assumptions for taxation authorities' examinations;</li> <li>• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and</li> <li>• The effect of changes in facts and circumstances.</li> </ul>	1 January 2019
<p>Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.</p>	1 January 2018
<p>Amendments to IFRS 4 <i>Insurance Contracts</i>: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.</p>	1 January 2018
<p>Amendments to IAS 40 <i>Investment Property</i>: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.</p>	1 January 2018
<p>IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014)</p> <p>IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.</p>	1 January 2018

Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014) (continued)

1 January 2018

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39

Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

1 January 2019

IFRS 15 *Revenue from Contracts with Customers*

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

**Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**2.2 New and revised IFRS in issue but not yet effective (continued)**

**Effective for  
annual periods  
beginning on or after**

**New and revised IFRSs**

*IFRS 15 Revenue from Contracts with Customers (continued)*

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

**Impact assessment of IFRS 15 Revenue from Contracts with Customers**

The application of IFRS 15 from the annual period beginning 1 January 2018 will not have an impact on the Group's consolidated financial statements.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. 1 January 2018

*IFRS 16 Leases*

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**2.2 New and revised IFRS in issue but not yet effective (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 17 <i>Insurance contracts</i>	1 January 2021
The standard requires insurance liabilities to be measured at a current fulfilment 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 <i>Insurance Contracts</i> as of 1 January 2021.	
Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17 and IFRS 9 as mentioned below, may have no material impact on the consolidated financial statements of the Group in the period of initial application.	
Management anticipates that IFRS 17 will be adopted in the Group's financial statements for the annual period beginning 1 January 2021. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group consolidated financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.	
Management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018. The application of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of the Group's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of their standard as the Group is in the process of performing a detailed review.	

*Disclosure*

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

**Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**2.2 New and revised IFRS in issue but not yet effective (continued)**

*Classification and Measurement of Financial Assets and Liabilities*

All financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39. Directors have decided to take an irrevocable option to designate those equity shares that were classified as available-for-sale investments under IAS 39, at fair value through other comprehensive income.

*Impairment of Financial Assets*

The impairment requirements of IFRS 9 apply to financial assets that are measured at amortized cost or FVTOCI, and off balance sheet lending commitments such as financial guarantees (hereafter collectively referred to in this note as financial assets).

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its insurance and other receivables as required or permitted by IFRS 9. In general, Directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

*Hedge accounting*

There is no hedge accounting currently followed by the Company and in the future, if any hedge relationship is entered, the Company will be following IFRS 9 guidelines.

**3. Significant accounting policies**

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented.

**3.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates Federal Law No. (2) of 2015 and United Arab Emirates Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations.

The Company is in the process of complying with the requirements of the Financial Regulations for Insurance Companies issued by the Insurance Authority especially pertaining to Article (1) of Section (7) and Appendix (1) relating to presentation of financial statements and disclosures, Article (8) of Section (2) and Article (3) of Section (1) , relating to maintenance of solvency margin; and asset distribution and allocation limits respectively.

**Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.2 Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that have been measured at revalued amounts, amortised cost or fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

**3.3 Basis of consolidation**

The consolidated financial statements of Al Buhaira National Insurance Company P.S.C. and its subsidiary (the "Group") incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary).

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.3 Basis of consolidation (continued)**

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Details of the Group's subsidiary at 31 December 2017 is as below:

<b>Name of subsidiary</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest and voting power held</b>	<b>Principal activity</b>
Al Buhaira Economic Investments Establishment	Sharjah, U.A.E.	100%	Investing in economic projects.

**3.4 Insurance contracts**

The principal accounting policies are set out below.

*3.4.1 Definition, recognition and measurement*

The Group issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk.

Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.4 Insurance contracts (continued)**

*3.4.2 Short-term insurance contracts*

These contracts are casualty, property and short-duration life insurance contracts.

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events.

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Medical insurance contracts protect the Group's customers against the risk of incurring medical expenses. Medical selection is part of the Group's underwriting procedures, whereby contributions 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.

Short-duration life insurance contracts protect the Group's customers from the consequences of events that would affect on the ability of the customer or customer's dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these insurance contracts, premiums are recognised as revenue (earned premiums) on time-proportion basis wherein revenue from an insurance contract is recognised over the effective period of the policy with the exception of marine, where the UPR is recognised as fixed proportion of the written premiums as required in the financial regulation issued by Insurance Authority. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct claims settlement costs and arise from events that have occurred up to the reporting date even if even they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Unallocated loss adjustment expense reserves correspond to the provision representing future claim expenses and related handling costs that are not case specific. It represents all other expenses and costs that are related to the adjudication of claims but cannot be assigned to a specific claim and is calculated based on recommendation of Group's external actuarial valuation report.

**Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.4 Insurance contracts (continued)**

*3.4.3 Reinsurance contracts*

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Group assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Group reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

*3.4.4 Insurance contract liabilities*

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

The reinsurers' portion of the above outstanding claims and unearned premium is classified as reinsurance contract assets in the consolidated financial statements.

*3.4.5 Salvage and subrogation reimbursements*

Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims.

*3.4.6 Liability adequacy test*

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

*3.4.7 Receivables and payables related to insurance contracts*

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

*3.4.8 Policy acquisition costs*

Commissions and other acquisition costs are accounted on an incurred basis.

**Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.5 Revenue recognition**

*3.5.1 Insurance contract income*

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these financial statements (Note 3.4).

*3.5.2 Commission income*

Commission income is recognised when the reinsurance premium is ceded based on the terms and percentages agreed with the reinsurers.

*3.5.3 Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

*3.5.4 Dividend income*

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

*3.5.5 Rental income*

Rental income from investment properties which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

**3.6 General and administrative expenses**

Direct expenses are charged to the respective departmental revenue accounts. Indirect expenses are allocated to departmental revenue accounts on the basis of gross written premiums of each department. Other administration expenses are charged to profit or loss as unallocated general and administrative expenses.

**3.7 Foreign currencies**

The financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of a group entity are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the year in which they arise.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.8 Employee benefits**

*3.8.1 Defined contribution plan*

U.A.E. national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the “contribution calculation salary” of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the “contribution calculation salary” respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

*3.8.2 Annual leave and leave passage*

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

*3.8.3 Provision for employees' end of service indemnity*

Provision is also made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the U.A.E. Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service indemnity is disclosed as a non-current liability.

**3.9 Property and equipment**

Land is stated at its cost.

Other property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The useful lives considered in the calculation of depreciation for the assets are as follows:

	Years
Furniture and equipment	5
Computer equipment	5
Office fixture and fittings	10
Manager's residential villa	15

**3.10 Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.10 Investment properties (continued)**

Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultants.

**3.11 Impairment of tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**3.12 Provisions**

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

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.12 Provisions (continued)**

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**3.13 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**3.14 Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group has no finance leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**3.15 Financial assets**

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at held for trading, which are initially measured at fair value.

Financial assets of the Group are classified into the following specified categories: bank balances and cash, available-for-sale investments (AFS investments) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.15 Financial assets (continued)**

*3.15.1 Bank balances and cash*

Bank balances and cash comprise cash on hand and fixed deposits and current and call accounts with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*3.15.2 AFS investments*

Listed shares held by the Group that are traded in an active market and unquoted shares that are not traded in active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative changes in fair value of available-for-sale investment reserve with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair value is reclassified to profit or loss.

Dividend on AFS investments are recognised in profit or loss when the Group's right to receive the dividend is established.

*3.15.3 Loans and receivables*

Insurance and other receivables (excluding prepayments) that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*3.15.4 Impairment of financial assets*

Financial assets, are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial asset, such as insurance and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.15 Financial assets (continued)**

*3.15.4 Impairment of financial assets (continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables, where the carrying amount is reduced through the use of an allowance account. When an insurance receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS securities is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

With the exception of AFS, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

*3.15.5 Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

**3.16 Financial liabilities and equity instruments issued by the Group**

*3.16.1 Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

*3.16.2 Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

*3.16.3 Financial liabilities*

Financial liabilities are classified as 'other financial liabilities'.

**Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)**

**3. Significant accounting policies (continued)**

**3.16 Financial liabilities and equity instruments issued by the Group (continued)**

*3.16.4 Other financial liabilities*

Insurance and other payables and bank borrowings are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

*3.16.5 Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

*3.16.6 Dividend distribution*

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

**4. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in Note 3 to these consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**4.1 Critical accounting judgements**

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**4. Critical accounting judgements and key sources of estimation uncertainty (continued)**

**4.1 Critical accounting judgements (continued)**

*4.1.1 Classification of investments*

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading or AFS. The Group classifies investments at held for trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Equity instruments are classified as AFS securities when they are considered by management to be strategic equity investments that are not held to benefit from changes in their fair value and are not held for trading.

Management is satisfied that the Group's investments in securities are appropriately classified.

*4.1.2 Classification of properties*

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

**4.2 Key sources of estimation uncertainty**

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

*4.2.1 The ultimate liability arising from claims made under insurance contracts*

The estimation of ultimate liability arising from the claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on external actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**4. Critical accounting judgements and key sources of estimation uncertainty (continued)**

**4.2 Key sources of estimation uncertainty (continued)**

*4.2.2 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 Group evaluating, the credit and liquidity position of the policyholders and the insurance companies, historical recovery rates including detailed investigations carried out during 2017 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.

*4.2.3 Liability adequacy test*

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group 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.

*4.2.4 Valuation of unquoted equity instruments*

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using expected cash flows discounted at current rates for similar instruments or other valuation models.

*4.2.5 Depreciation of property and equipment*

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial.

*4.2.6 Impairment of available-for-sale securities*

The Group determines whether available for sale securities are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Management has considered AED 5,000,000 (2016: AED 4,000,000) as impairment loss on available-for-sale securities for the year, based on the analysis of impairment test performed on available-for-sale securities.

*4.2.7 Revaluation of investment properties*

The investment properties are carried at fair value, with changes in the fair value being recognized in the consolidated statement of income. The management engaged independent valuation specialists to assess fair value during the year. The fair value of plots of land was determined based on the acceptable approach that reflects recent transactions prices for similar properties. The fair value of buildings was determined using investment method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)

5. Property and equipment	Land AED	Furniture and equipment AED	Computer equipment AED	Office fixture and fittings AED	Manager's residential villa AED	Total AED
<i>Cost</i>						
At 31 December 2015	649,000	5,913,993	10,584,583	5,378,240	1,057,827	23,583,643
Additions	-	219,801	812,696	25,762	-	1,058,259
Disposals	-	(53,166)	-	-	-	(53,166)
31 December 2016	649,000	6,080,628	11,397,279	5,404,002	1,057,827	24,588,736
Additions	-	224,760	1,575,983	205,990	-	2,006,733
Disposals	-	(10,850)	(3,881,792)	-	-	(3,892,642)
31 December 2017	649,000	6,294,538	9,091,470	5,609,992	1,057,827	22,702,827
<i>Accumulated depreciation</i>						
At 31 December 2015	-	4,383,849	8,521,998	4,609,511	1,057,827	18,573,185
Charge for the year	-	449,510	1,168,174	246,810	-	1,864,494
Disposals	-	(42,456)	-	-	-	(42,456)
31 December 2016	-	4,790,903	9,690,172	4,856,321	1,057,827	20,395,223
Charge for the year	-	457,488	945,470	245,302	-	1,648,260
Disposals	-	(10,850)	(3,881,120)	-	-	(3,891,970)
31 December 2017	-	5,237,541	6,754,522	5,101,623	1,057,827	18,151,513
<i>Carrying amount</i>						
31 December 2017	649,000	1,056,997	2,336,948	508,369	-	4,551,314
31 December 2016	649,000	1,289,725	1,707,107	547,681	-	4,193,513

At 31 December 2017, the cost of fully depreciated property and equipment that was still in use amounted to AED 13.1 million (2016: AED 11.8 million).

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**6. Investment properties**

Investment properties comprises the following at fair value:

	2017 AED	2016 AED
Plots of land	81,893,949	103,888,000
Buildings	838,646,652	816,652,601
	<u>920,540,601</u>	<u>920,540,601</u>

Movement during the year is as follows:

	2017 AED	2016 AED
Fair value at the beginning of the year	920,540,601	924,540,601
Change in fair value during the year (Note 18)	-	(4,000,000)
<b>Fair value at the end of the year</b>	<u>920,540,601</u>	<u>920,540,601</u>

The fair value of the Group's investment properties as at 31 December 2017 has been arrived at on the basis of valuations carried on the respective dates by independent valuers who are not related to the Group and have appropriate qualifications and recent market experience in the valuation of properties in the United Arab Emirates.

The fair value of plots of land was determined based on the acceptable approach that reflects recent transactions prices for similar properties. The fair value of buildings was determined using investment method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2017 (2016: Level 3).

Investment property amounting to AED 872 million (2016: AED 856 million) is mortgaged to a bank towards credit facilities granted to the Group (Note 15).

The rental proceeds from Al Khan, Al Nahda and Al Buhairah Corniche Towers are assigned to a bank against credit facilities granted to the Group (Note 15).

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**6. Investment properties (continued)**

The property rental income earned by the Group from its investment properties, which are leased out under operating leases, and direct operating expenses arising on the investment property are as follows:

	2017 AED	2016 AED
Rental income	67,816,510	68,194,272
Direct operating expenses	(19,155,636)	(17,450,352)
	<u>48,660,874</u>	<u>50,743,920</u>

**7. Available-for-sale investments**

Available for sale investments comprise the following:

	2017 AED	2016 AED
Within U.A.E.	49,996,661	46,278,934
Outside U.A.E.	4,133,965	6,577,973
	<u>54,130,626</u>	<u>52,856,907</u>

Movement during the year is as follows:

	2017 AED	2016 AED
Fair value at the beginning of the year	52,856,907	56,146,140
Purchases during the year	19,022,969	283,907
Disposals during the year	(15,693,779)	(1,531,497)
Decrease in fair value	(2,055,471)	(2,041,643)
Fair value at the end of the year	<u>54,130,626</u>	<u>52,856,907</u>

	<u>Within U.A.E.</u>		<u>Outside U.A.E.</u>		<u>Total</u>	
	2017 AED	2016 AED	2017 AED	2016 AED	2017 AED	2016 AED
- Quoted	36,322,096	32,604,369	-	2,444,008	36,322,096	35,048,377
- Unquoted	13,674,565	13,674,565	4,133,965	4,133,965	17,808,530	17,808,530
	<u>49,996,661</u>	<u>46,278,934</u>	<u>4,133,965</u>	<u>6,577,973</u>	<u>54,130,626</u>	<u>52,856,907</u>

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**8. Statutory deposit**

In accordance with the requirements of Federal Law No. 6 of 2007 on Establishment of Insurance Authority of U.A.E. and Organisation of its operations, the Group maintains a bank deposit of AED 10 million (31 December 2016: AED 6 million) as a statutory deposit.

**9. Insurance contract liabilities and reinsurance contract assets**

	2017 AED	2016 AED
<b>Insurance contract liabilities</b>		
Claims reported unsettled	189,440,280	244,628,303
Claims incurred but not reported	53,906,363	50,789,092
Unallocated loss adjustment exposure reserve	2,972,530	3,462,065
Unearned premium	212,733,798	220,281,052
<b>Total insurance contract liabilities, gross</b>	<b>459,052,971</b>	<b>519,160,512</b>
<b>Recoverable from reinsurers</b>		
Claims reported unsettled	102,274,706	112,907,659
Claims incurred but not reported	19,893,760	23,403,204
Unallocated loss adjustment expense reserve	200	210
Unearned premium	114,182,718	92,967,424
<b>Total reinsurers' share of insurance liabilities</b>	<b>236,351,384</b>	<b>229,278,497</b>
<b>Net</b>		
Claims reported unsettled	87,165,574	131,720,644
Claims incurred but not reported	34,012,603	27,385,888
Unallocated loss adjustment exposure reserve	2,972,330	3,461,855
Unearned premium	98,551,080	127,313,628
	<b>222,701,587</b>	<b>289,882,015</b>

Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)

9. Insurance contract liabilities and reinsurance contract assets (continued)

Movements in the insurance contract liabilities and reinsurance contract assets during the year were as follows:

	2017		2016		Net
	Gross	Reinsurance	Gross	Reinsurance	Net
	AED	AED	AED	AED	AED
<b>Claims</b>					
Notified claims	244,628,303	(112,907,659)	203,615,539	(88,870,275)	114,745,264
Incurred but not reported	50,789,092	(23,403,204)	57,548,264	(21,235,504)	36,312,760
Unallocated loss adjustment expense reserve	3,462,065	(210)	4,290,121	(2,413,339)	1,876,782
Unexpired risk reserve	-	-	5,212,481	(2,156,439)	3,056,042
<b>Total at the beginning of the year</b>	<b>298,879,460</b>	<b>(136,311,073)</b>	<b>270,666,405</b>	<b>(114,675,557)</b>	<b>155,990,848</b>
Claims settled during the year	(426,365,791)	139,618,019	(514,996,649)	227,792,481	(287,204,168)
Claims incurred	373,805,504	(125,475,612)	543,209,704	(249,427,997)	293,781,707
<b>Total at the end of the year</b>	<b>246,319,173</b>	<b>(122,168,666)</b>	<b>298,879,460</b>	<b>(136,311,073)</b>	<b>162,568,387</b>
<b>Unearned premium</b>					
Total at the beginning of the year	220,281,052	(92,967,424)	202,110,663	(101,332,292)	100,778,371
Increase during the year	212,733,798	(114,182,718)	220,281,052	(92,967,424)	127,313,628
Release during the year	(220,281,052)	92,967,424	(202,110,663)	101,332,292	(100,778,371)
Net (decrease)/increase during the year (Note 17)	(7,547,254)	(21,215,294)	18,170,389	8,364,868	26,535,257
<b>Total at the end of the year</b>	<b>212,733,798</b>	<b>(114,182,718)</b>	<b>220,281,052</b>	<b>(92,967,424)</b>	<b>127,313,628</b>

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**10. Insurance and other receivables**

	2017 AED	2016 AED
<b>Receivables arising from insurance and reinsurance contracts</b>		
Due from policyholders	217,213,879	274,857,693
Due from reinsurance companies	25,034,381	36,679,906
Due from insurance companies	97,212,426	96,516,629
Allowance for doubtful debts	(30,297,042)	(25,797,042)
	<u>309,163,644</u>	<u>382,257,186</u>
<b>Other receivables</b>		
Staff receivables	2,810,492	2,979,095
Rent receivable	6,248,657	4,001,910
Prepayments and others	10,770,879	10,466,650
	<u>328,993,672</u>	<u>399,704,841</u>

The average credit period is 120 days. Due from policyholders outstanding between 180 days and 365 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

Before accepting any new customer, the Group assesses the potential customers' credit quality and defines credit limits by customer. Of the due from policyholders balance at the end of the year, AED 22 million (2016: AED 48 million) is due from the Group's largest customer. There are 9 (2016: 6) other customers who represent more than 34% (2016: 29%) of the total balance of due from policy holders.

The geographical allocation of receivables arising from insurance and reinsurance contracts is as follows:

**31 December 2017**

	Inside UAE AED	Outside UAE AED	Total AED
Due from policy holders	217,213,879	-	217,213,879
Due from insurance companies	95,068,411	2,144,015	97,212,426
Due from reinsurance companies	919,848	24,114,533	25,034,381
Less: Allowance for doubtful debts	(30,297,042)	-	(30,297,042)
	<u>282,905,096</u>	<u>26,258,548</u>	<u>309,163,644</u>

Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)

10. Insurance and other receivables (continued)

31 December 2017

	Due from policyholders AED	Due from insurance companies AED	Due from reinsurance companies AED	Total AED
<b>Inside UAE</b>				
Less than 60 days	48,182,772	20,150,302	93,267	68,426,341
61 to 120 days	57,334,025	27,751,105	669,570	85,754,700
121 to 180 days	31,034,346	11,574,701	59,332	42,668,379
181 to 270 days	29,598,642	6,285,107	-	35,883,749
271 to 365 days	20,223,251	3,493,276	-	23,716,527
More than 365 days	30,840,843	25,813,920	97,679	56,752,442
	<u>217,213,879</u>	<u>95,068,411</u>	<u>919,848</u>	<u>313,202,138</u>
Less: Allowance for doubtful debts	(30,297,042)	-	-	(30,297,042)
	<u><u>186,916,837</u></u>	<u><u>95,068,411</u></u>	<u><u>919,848</u></u>	<u><u>282,905,096</u></u>
	<b>Due from policyholders AED</b>	<b>Due from insurance companies AED</b>	<b>Due from reinsurance companies AED</b>	<b>Total AED</b>
<b>Outside UAE</b>				
Less than 60 days	-	352,739	11,431,384	11,784,123
61 to 120 days	-	347,953	2,262,815	2,610,768
121 to 180 days	-	652,280	954,182	1,606,462
181 to 270 days	-	5,273	946,905	952,178
271 to 365 days	-	6,238	1,015,144	1,021,382
More than 365 days	-	779,532	7,504,103	8,283,635
	<u>-</u>	<u>2,144,015</u>	<u>24,114,533</u>	<u>26,258,548</u>

Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)

10. Insurance and other receivables (continued)

31 December 2016

	Inside UAE AED	Outside UAE AED	Total AED
Due from policy holders	274,857,693	-	274,857,693
Due from insurance companies	93,958,962	2,557,667	96,516,629
Due from reinsurance companies	8,704,012	27,975,894	36,679,906
Less: Allowance for doubtful debts	(25,797,042)	-	(25,797,042)
	<u>351,723,625</u>	<u>30,533,561</u>	<u>382,257,186</u>

	Due from policyholders AED	Due from insurance companies AED	Due from reinsurance companies AED	Total AED
Inside UAE				
Less than 60 days	53,140,906	27,877,143	1,078,694	82,096,743
61 to 120 days	94,017,207	24,442,933	1,705,785	120,165,925
121 to 180 days	24,891,808	12,788,229	115,944	37,795,981
181 to 270 days	29,187,412	10,007,026	8,060	39,202,498
271 to 365 days	47,027,530	2,214,978	143,321	49,385,829
More than 365 days	26,592,830	16,628,653	5,652,208	48,873,691
	<u>274,857,693</u>	<u>93,958,962</u>	<u>8,704,012</u>	<u>377,520,667</u>
Less: Allowance for doubtful debts	(25,797,042)	-	-	(25,797,042)
	<u>249,060,651</u>	<u>93,958,962</u>	<u>8,704,012</u>	<u>351,723,625</u>

	Due from policyholders AED	Due from insurance companies AED	Due from reinsurance companies AED	Total AED
Outside UAE				
Less than 60 days	-	1,097,867	10,619,938	11,717,805
61 to 120 days	-	315,715	3,612,259	3,927,974
121 to 180 days	-	507,757	1,266,332	1,774,089
181 to 270 days	-	127,760	559,691	687,451
271 to 365 days	-	5,176	17,354	22,530
More than 365 days	-	503,392	11,900,320	12,403,712
	<u>-</u>	<u>2,557,667</u>	<u>27,975,894</u>	<u>30,533,561</u>

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**10. Insurance and other receivables (continued)**

*Ageing of insurance receivables:*

	2017 AED	2016 AED
Neither past due nor impaired	212,850,773	257,478,517
Past due but not impaired:		
180 to 365 days	61,573,836	89,298,308
More than 365 days	34,739,035	35,480,361
	<u>96,312,871</u>	<u>124,778,669</u>
Past due and impaired – policyholders and insurance companies	30,297,042	25,797,042
<b>Total</b>	<u><u>339,460,686</u></u>	<u><u>408,054,228</u></u>

*Movements in allowance for doubtful debts:*

	2017 AED	2016 AED
Balance at the beginning of the year	25,797,042	21,797,042
Allowance made during the year	4,500,000	4,000,000
<b>Balance at the end of the year</b>	<u><u>30,297,042</u></u>	<u><u>25,797,042</u></u>

In determining the recoverability of an insurance receivable, the Company considers any change in the credit quality of the insurance receivable from the date credit was initially granted up to the reporting date.

Accordingly, the directors believe that there is no further credit provision required in excess of the available allowance for doubtful debts.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**11. Bank balances and cash**

	2017 AED	2016 AED
Cash on hand	142,365	65,200
Bank balances:		
Current accounts	6,949,941	16,596,827
Call accounts	4,138,474	12,745,060
Margin deposits	573,000	573,000
Fixed deposits	190,482,441	144,651,194
<b>Cash and bank balances</b>	<b>202,286,221</b>	<b>174,631,281</b>
Less: Deposits under lien (Note 15)	(36,337,547)	(88,888,693)
Less: Deposits with original maturity of more than three months	(154,144,894)	(55,762,501)
Less: Margin deposits	(573,000)	(573,000)
<b>Cash and cash equivalents</b>	<b>11,230,780</b>	<b>29,407,087</b>

The interest rate on fixed deposits with banks ranges from 1% to 4% (2016: 1% to 4%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

**12. Share capital**

	2017 AED	2016 AED
Authorised, issued and fully paid:		
250 million ordinary shares of AED 1 each (2016: 250 million ordinary shares of AED 1 each)	<b>250,000,000</b>	<b>250,000,000</b>

**13. Reserves**

**13.1 Statutory reserve**

In accordance with U.A.E. Federal Commercial Companies Law Number (2) of 2015, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

**13.2 Voluntary reserve**

The voluntary reserve is established through transfers from profit for the year as recommended by the Board of Directors and approved by the Shareholders at the Annual General Meeting. The reserve is distributable based on a recommendation by the Board of Directors, approved by a Shareholders' resolution.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**14. Provision for employees' end of service indemnity**

Movements in the net liability were as follows:

	2017 AED	2016 AED
Balance at the beginning of the year	32,886,177	30,587,498
Amounts charged during the year	2,899,692	2,920,079
Amounts paid during the year	(1,705,429)	(621,400)
	<u>34,080,440</u>	<u>32,886,177</u>

**15. Bank borrowings**

	2017 AED	2016 AED
Bank overdraft	18,958,315	59,807,144
Term loans	420,783,484	349,582,226
	<u>439,741,799</u>	<u>409,389,370</u>

The bank borrowings are repayable as follows:

On demand or within one year	78,171,002	113,032,905
In the second year	70,879,360	53,225,761
In the third and subsequent years	290,691,437	243,130,704
	<u>439,741,799</u>	<u>409,389,370</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(78,171,002)</u>	<u>(113,032,905)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>361,570,797</u>	<u>296,356,465</u>

Bank overdrafts are repayable on demand and carry out interest rates ranging from 0.5% to 2.75% plus 3 months EIBOR (2016: 0.5% to 2.5% plus 3 months EIBOR) per annum.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**15. Bank borrowings (continued)**

The term loans description, maturity dates, and classification are set in the table below:

	Note	Maturity	2017 AED	2016 AED
Loan 1	(i)	31 May 2024	16,041,673	18,541,667
Loan 2	(ii)	31 December 2021	40,079,520	50,099,384
Loan 3	(iii)	31 October 2025	75,000,000	-
Loan 4	(iv)	31 December 2025	61,074,055	-
Loan 5	(v)	30 September 2023	-	61,764,704
Loan 6	(vi)	30 June 2023	178,588,236	219,176,471
Loan 7	(vii)	1 May 2024	50,000,000	-
			<u>420,783,484</u>	<u>349,582,226</u>

Main features of bank borrowings:

- Bank loans are obtained to finance the construction of investment properties and to meet its operating capital requirements.
  - Bank overdraft is payable on demand.
- (i) Bank loan for the amount of AED 20,000,000 from United Arab Bank was obtained in May 2016 to be repaid on monthly instalments of AED 208,333 till May 2024 with interest rate of 2.5% plus 3 months EIBOR.
- (ii) Bank loan for the amount of AED 80,000,000 from United Arab Bank was obtained in December 2013 to be repaid on monthly instalments of AED 834,990 till December 2021 with interest rate of 2.5% plus 3 months EIBOR.
- (iii) Bank loan for the amount of AED 75,000,000 from United Arab Bank was obtained in November 2017 to be repaid on monthly instalments of AED 833,333 commencing from May 2018 till October 2025 with interest rate 2.75% plus 1 month EIBOR.
- (iv) Bank loan for the amount of AED 68,000,000 from United Arab Bank was obtained in January 2017 to be repaid on monthly instalments of AED 629,629 till December 2025 with interest rate of 2.35% plus 1 month EIBOR.
- (v) Bank loan amounting AED 70,000,000 was obtained in September 2015 from Abu Dhabi Commercial Bank maturing in September 2023 and was early settled with the bank in January 2017.
- (vi) Bank loan for the amount of AED 276,000,000 from Abu Dhabi Commercial Bank was obtained in November 2014 to refinance original facility and expend additional borrowing to be repaid on quarterly instalment of AED 8,117,647 till June 2023 with interest rate of 2.35% plus EIBOR rate paid every 3 months.
- (vii) Bank loan for the amount of AED 50,000,000 from National Bank of Umm Al Quwain was obtained in May 2017, AED 25,000,000 is to be repaid on monthly instalments of AED 694,444 commencing from January 2019 till December 2021, whereas remaining balance is to be repaid in two installment of AED 12,500,000 each on May 2023 & May 2024 and bears interest rate of 2.35% plus 1 month EIBOR.

At 31 December 2017, bank borrowings were secured by lien on fixed deposits amounting to AED 36 million (2016: AED 89 million), mortgage of investment properties with fair value of 872 million (2016: AED 856 million) and assignment of rental proceeds from certain investment properties.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**16. Insurance and other payables**

	2017 AED	2016 AED
<b>Payables arising from insurance and reinsurance contracts:</b>		
Claims payables	26,144,231	49,179,915
Due to insurance companies	17,232,724	20,840,877
Due to reinsurance companies	73,369,902	75,989,768
Portfolio withdrawal	11,248,423	12,012,639
Premium received in advance	242,480	170,051
<b>Other payables</b>		
Rental income received in advance	6,554,729	6,128,917
Accrued expenses and other payable	13,752,248	16,272,913
Due to employees	11,751,714	10,920,418
	<u>160,296,451</u>	<u>191,515,498</u>

Due to employees include AED 10.79 million (2016: AED 10.26 million) being the employees' contribution to the Provident Fund and interest thereon. The Group's contribution amounting to AED 10.79 million (2016: AED 10.26 million) is included under provision for employees' end of service indemnity and provident fund in these consolidated financial statements.

**17. Net insurance premium revenue**

	2017 AED	2016 AED
<b>Gross premium written</b>		
Gross premium written	529,853,934	703,165,149
Change in unearned premium (Note 9)	7,547,254	(18,170,389)
	<u>537,401,188</u>	<u>684,994,760</u>
<b>Reinsurance premium ceded</b>		
Reinsurance premium ceded	(265,165,393)	(353,039,865)
Change in unearned premium (Note 9)	21,215,294	(8,364,868)
	<u>(243,950,099)</u>	<u>(361,404,733)</u>
<b>Net insurance premium revenue</b>	<u>293,451,089</u>	<u>323,590,027</u>

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**18. Investment and other income**

	2017 AED	2016 AED
Interest income on deposits	4,391,999	2,914,972
Dividend from investments	1,195,017	1,153,682
Gain/(loss) on sale of available for sale financial assets	394,885	(857,315)
Impairment loss on available for sale financial assets	(5,000,000)	(4,000,000)
Impairment of investment properties (Note 6)	-	(4,000,000)
Rental income (Note 6)	48,660,874	50,743,920
Other income	90,288	43,080
	<u>49,733,063</u>	<u>45,998,339</u>

**19. Profit for the year**

Profit for the year has been arrived at after charging the following expenses:

	2017 AED	2016 AED
Staff costs	31,053,247	23,791,946
Depreciation of property and equipment	1,648,260	1,864,494

**20. Basic earnings per share**

	2017	2016
Profit for the year (in AED)	52,234,584	42,727,459
Number of shares	<u>250,000,000</u>	<u>250,000,000</u>
Basic and diluted earnings per share (in AED)	<u>0.21</u>	<u>0.17</u>

Basic earnings per share has been calculated by dividing the profit for the year by the number of shares outstanding at the end of the reporting period. Diluted earnings per share as of 31 December 2017 and 31 December 2016 are equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**21. Related party transactions**

Related parties include the Group's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

At the end of the reporting period, amounts due from/to related parties included under due from policyholders and gross outstanding claims were as follows:

	2017 AED	2016 AED
Due from policyholders	28,047,646	17,390,362
Gross outstanding claims	2,612,377	5,254,822

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received and no expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

**Transactions:**

During the year, the Group entered into the following transactions with related parties:

	2017 AED	2016 AED
Gross premium	14,265,099	14,103,990
Claims paid	4,911,941	3,217,827

Premiums are charged to related parties at rates agreed with the management.

**Compensation of board of directors/key management personnel**

	2017 AED	2016 AED
Short-term benefits	3,913,900	3,272,700
Long-term benefits	261,292	216,566
Directors' fees	1,400,000	1,200,000

**22. Contingent liabilities**

	2017 AED	2016 AED
Letters of guarantee	16,760,602	17,537,957

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**22. Contingent liabilities** (continued)

22.1 Legal proceedings

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's consolidated financial statements if settled unfavourably.

**23. Insurance risk**

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Group manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

23.1 *Frequency and severity of claims*

The Group has the right not to renew individual policies, re-price the risk, impose deductibles and reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation).

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property insurance contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Group operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**23. Insurance risk (continued)**

*23.1 Frequency and severity of claims (continued)*

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer net insurance losses of a set limit defined in each arrangement for each policy. The Group has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

*23.2 Sources of uncertainty in the estimation of future claim payments*

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Group considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Group has involved external actuarial valuer's as well. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the reporting date.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before reinsurance) are analysed below by type of risk where the insured operates for current and prior year premiums earned.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**23. Insurance risk (continued)**

*23.2 Sources of uncertainty in the estimation of future claim payments (continued)*

<b>Type of risk</b>	<b>2017</b>	<b>2016</b>
Motor	<u>98%</u>	<u>100%</u>
Non-Motor	<u>90%</u>	<u>84%</u>

*23.3 Process used to decide on assumptions*

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Group's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business. The Group has also involved an independent external actuary in the valuation of technical reserves of the Group.

*23.4 Concentration of insurance risk*

Substantially all of the Group's underwriting activities are carried out in the United Arab Emirates.

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

*23.5 Sensitivity of underwriting profit and losses*

The contribution by the insurance operations is a profit of AED 30.8 million for the year ended 31 December 2017 (2016: profit of AED 25.2 million). The Group does not foresee any major impact from insurance operations to the Group's results and expects to increase the contribution by insurance operations to the profitability due to the following reasons:

The Group has an overall retention level of 50% (2016: 50%) and the same is mainly contributed by motor and medical class of business. The Group tries to arrange appropriate excess of loss reinsurance cover to guard against major financial impact.

The Group earns a gross commission income of AED 62.7 million (2016: AED 59.5 million). These commissions arise primarily from the reinsurance placements and are a consistent and recurring source of income.

**Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)**

**24. Capital risk management**

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

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

The table below summarises the minimum required capital of the Group and the total capital held.

	<b>2017</b>	2016
	<b>AED</b>	AED
Total capital held	<b>250,000,000</b>	250,000,000
Minimum regulatory capital	<b>100,000,000</b>	100,000,000

The UAE Insurance Authority has issued resolution No. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing insurance firms and AED 250 million for reinsurance firms. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The Group is in compliance with the minimum capital requirements.

Further, as per Article (8) of section (2) of financial regulations issued for insurance companies in U.A.E., the Company shall at all times comply with the requirements of solvency margin. As of 31 December 2017, the Company had a solvency deficit and the Company is in the process of complying with the requirements of solvency margin.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**24. Capital risk management (continued)**

*24.1 Gearing ratio*

The Group reviews the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associated with capital.

The gearing ratio at the year end was as follows:

	<b>2017</b>	2016
	<b>AED</b>	AED
Debt (i)	<b>439,741,799</b>	409,389,370
Bank balances and cash (ii)	<b>(212,286,221)</b>	(180,631,281)
	<b>227,455,578</b>	228,758,089
Equity (iii)	<b>663,682,157</b>	634,254,083
Net debt to equity ratio	<b>0.34</b>	0.36

- (i) Debt is defined as bank borrowings (see Note 15).
- (ii) Bank balances and cash includes statutory deposit.
- (iii) Equity comprises of capital, reserves, cumulative changes in fair value of available-for-sale investments and retained earnings.

**25. Financial instruments**

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

*25.1 Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)

## 25. Financial instruments (continued)

## 25.2 Categories of financial instruments

31 December 2017

	Loans and receivables AED	Available- for-sale AED	Total AED
<b>Financial assets</b>			
Available-for-sale investments	-	54,130,626	54,130,626
Insurance and other receivables	318,222,793	-	318,222,793
Bank balances and cash	212,286,221	-	212,286,221
<b>Total financial assets</b>	<b>530,509,014</b>	<b>54,130,626</b>	<b>584,639,640</b>

		At amortised cost AED
<b>Financial liabilities</b>		
Bank borrowings		439,741,799
Insurance and other payables		153,499,242
<b>Total financial liabilities</b>		<b>593,241,041</b>

31 December 2016

	Loans and receivables AED	Available- for-sale AED	Total AED
<b>Financial assets</b>			
Available-for-sale investments	-	52,856,907	52,856,907
Insurance and other receivables	389,238,191	-	389,238,191
Bank balances and cash	180,631,281	-	180,631,281
<b>Total financial assets</b>	<b>569,869,472</b>	<b>52,856,907</b>	<b>622,726,379</b>

		At amortised cost AED
<b>Financial liabilities</b>		
Bank borrowings		409,389,370
Insurance and other payables		185,216,530
<b>Total financial liabilities</b>		<b>594,605,900</b>

Management considers that the carrying amounts of financial assets and financial liabilities recognized at amortised cost in the financial statements approximate their fair values.

**Notes to the consolidated financial statements  
for the year ended 31 December 2017 (continued)**

**25. Financial instruments (continued)**

**25.3 Fair value measurements**

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

*Valuation techniques and assumptions applied for the purposes of measuring fair value*

*25.3.1 Fair value measurements recognised in the consolidated statement of financial position*

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 December 2017 AED	31 December 2016 AED				
<b>Available for sale investments</b>						
Quoted equity securities	36,322,096	35,048,377	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	17,808,530	17,808,530	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets were determined based on the latest available audited/historical financial information.	Net asset value	Higher the net assets, value of the investees, higher the fair value.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**25. Financial instruments (continued)**

**25.3 Fair value measurements (continued)**

*25.3.2. Reconciliation of unquoted equity instruments – AFS investments, movements in level 3 financial assets measured at fair value:*

	<b>2017</b>	<b>2016</b>
	<b>AED</b>	<b>AED</b>
Balance at the beginning of the year	<b>17,808,530</b>	17,843,018
Additions during the year	-	237,065
Disposals during the year	-	(271,553)
	<hr/>	<hr/>
<b>Balance at the end of the year</b>	<b>17,808,530</b>	<b>17,808,530</b>
	<hr/> <hr/>	<hr/> <hr/>

There were no transfers between the levels during the year.

**25.4 Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

**25.5 Foreign currency risk**

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

**25.6 Credit risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

Key areas where the Group is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

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

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**25. Financial instruments (continued)**

**25.6 Credit risk (continued)**

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Group.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

**25.7 Liquidity risk**

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

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2017 (continued)**

**25. Financial instruments (continued)**

**25.7 Liquidity risk (continued)**

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

	Less than 1 month AED	1 to 3 months AED	3 months to 1 year AED	1 year to 5 years AED	More than 5 years AED	Total AED
<b>31 December 2017</b>						
<b>Financial assets</b>						
Available for sale financial assets	54,130,626	-	-	-	-	54,130,626
Insurance and other receivables excluding prepayments	59,476,946	177,635,082	81,110,765	-	-	318,222,793
Bank balances and cash	11,230,780	10,413,811	180,641,630	-	-	202,286,221
Statutory deposit	-	-	-	-	10,000,000	10,000,000
	<u>124,838,352</u>	<u>188,048,893</u>	<u>261,752,395</u>	<u>-</u>	<u>10,000,000</u>	<u>584,639,640</u>
<b>Financial liabilities</b>						
Bank borrowing	1,672,953	11,463,552	65,034,497	240,164,204	121,406,593	439,741,799
Insurance and other payables (excluding premium and rental received in advance)	10,788,397	19,470,715	123,240,130	-	-	153,499,242
	<u>12,461,350</u>	<u>30,934,267</u>	<u>188,274,627</u>	<u>240,164,204</u>	<u>121,406,593</u>	<u>593,241,041</u>
	Less than 1 month AED	1 to 3 months AED	3 months to 1 year AED	1 year to 5 years AED	More than 5 years AED	Total AED
<b>31 December 2016</b>						
<b>Financial assets</b>						
Available for sale financial assets	52,856,907	-	-	-	-	52,856,907
Insurance and other receivables excluding prepayments	84,888,722	224,889,451	79,460,018	-	-	389,238,191
Bank balances and cash	29,407,087	18,225,637	126,998,557	-	-	174,631,281
Statutory deposit	-	-	-	-	6,000,000	6,000,000
	<u>167,152,716</u>	<u>243,115,088</u>	<u>206,458,575</u>	<u>-</u>	<u>6,000,000</u>	<u>622,726,379</u>
<b>Financial liabilities</b>						
Bank borrowing	1,043,323	10,204,293	93,549,993	179,961,859	124,629,902	409,389,370
Insurance and other payables (excluding premium and rental received in advance)	10,261,182	25,694,409	149,260,939	-	-	185,216,530
	<u>11,304,505</u>	<u>35,898,702</u>	<u>242,810,932</u>	<u>179,961,859</u>	<u>124,629,902</u>	<u>594,605,900</u>

**Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)**

**25. Financial instruments (continued)**

**25.8 Interest risk**

The Group's exposure to interest rate risk relates to its bank deposits and bank borrowings. During the year, bank deposits carried interest at the range of 1% to 3.75% per annum (2016: 1% to 3.60% per annum). Bank loans carried an interest rate in the range of 0.5% to 2.75% plus three months EIBOR per annum (2016: 0.5% to 2.5% plus three months EIBOR per annum).

If interest rates had been 50 basis points lower throughout the year and all other variables were held constant, the Group's profit for the year ended 31 December 2017 and equity as at 31 December 2017 would decrease by approximately AED 1,222,739 (2016: AED 1,257,101).

The Group's sensitivity to interest rates has not changed significantly from the prior year.

**25.9 Equity price risk**

**25.9.1 Sensitivity analysis**

At the end of the reporting period, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's other comprehensive income and equity would have increased/decreased by AED 5.4 million (2016: AED 5.2 million).

**25.9.2 Method and assumptions for sensitivity analysis**

- The sensitivity analysis has been done based on the exposure to equity price risk at the reporting date.
- At the end of the reporting period, if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and equity has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

**26. Segment information**

The Group is organised into three business segments: general insurance, life assurance and investments. The general insurance segment incorporates all classes of general insurance including fire, marine, medical, motor, general accident and other classes of insurance. The life assurance segment includes group life insurance.

Investments segment includes investments in equity securities and investment properties and statutory deposit.

These segments are the basis on which the Group reports its primary segment information to the Chief Operating decision maker. Insurance premium represents the total income arising from insurance contracts. There are no transactions between the business segments.

Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)

26. Segment information (continued)													
a)	<i>Segment consolidated statement of income for the year ended 31 December 2017</i>												
	Marine AED	Fire AED	Accident and liabilities AED	General and others AED	Life AED	Total insurance AED	Investments AED	Total AED					
Gross written premiums	41,569,845	43,315,704	305,345,495	126,554,562	13,068,328	529,853,934	-	529,853,934					
Change in unearned premiums	2,473,786	(1,356,655)	10,128,400	(4,255,293)	557,016	7,547,254	-	7,547,254					
	44,043,631	41,959,049	315,473,895	122,299,269	13,625,344	537,401,188	-	537,401,188					
Premiums ceded to reinsurance	34,574,123	40,438,451	150,588,023	27,608,587	11,956,209	265,165,393	-	265,165,393					
Change in unearned premiums	1,948,387	(1,123,055)	(21,154,066)	(1,126,814)	240,254	(21,215,294)	-	(21,215,294)					
	36,522,510	39,315,396	129,433,957	26,481,773	12,196,463	243,950,099	-	243,950,099					
Net earned premiums	7,521,121	2,643,653	186,039,938	95,817,496	1,428,881	293,451,089	-	293,451,089					
Gross claims paid	(5,045,880)	(11,315,366)	(256,238,311)	(146,135,847)	(7,630,387)	(426,365,791)	-	(426,365,791)					
Gross outstanding claims, UALE, URR and IBNR - 1 January 2017	20,740,817	20,813,942	177,770,625	69,552,412	10,001,664	298,879,460	-	298,879,460					
Gross outstanding claims, UALE, URR and IBNR - 31 December 2017	(35,352,597)	(13,698,482)	(157,668,517)	(27,770,182)	(11,829,395)	(246,319,173)	-	(246,319,173)					
	(19,657,660)	(4,199,906)	(236,136,203)	(104,353,617)	(9,458,118)	(373,805,504)	-	(373,805,504)					

## AL BUHAIRA NATIONAL INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARY

Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)

26. Segment information (continued)	Marine AED	Fire AED	Accident and liabilities AED	General and Others AED	Life AED	Total insurance AED	Investments AED	Total AED
<i>a) Segment consolidated statement of income for the year ended 31 December 2017 (continued)</i>								
Reinsurance recoveries	3,223,770	9,297,431	75,585,171	45,253,537	6,258,110	139,618,019	-	139,618,019
Reinsurance outstanding claims, UALE, URR and IBNR - 1 January 2017	(13,639,751)	(16,565,484)	(64,917,423)	(33,437,769)	(7,750,646)	(136,311,073)	-	(136,311,073)
Reinsurance outstanding claims, UALE, URR and IBNR - 31 December 2017	24,188,710	10,691,517	75,561,479	2,640,956	9,086,004	122,168,666	-	122,168,666
Net incurred claims	13,772,729	3,423,464	86,229,227	14,456,724	7,593,468	125,475,612	-	125,475,612
	(5,884,931)	(776,442)	(149,906,976)	(89,896,893)	(1,864,650)	(248,329,892)	-	(248,329,892)
Net commissions	8,897,451	7,105,461	12,895,249	6,214,068	2,901,224	38,013,453	-	38,013,453
Net underwriting results	10,533,641	8,972,672	49,028,211	12,134,671	2,465,455	83,134,650	-	83,134,650
Investment properties income	-	-	-	-	-	-	48,660,874	48,660,874
Net gain from investment in securities and other investments	-	-	-	-	-	-	1,072,189	1,072,189
Net income before operating and administrative expenses	10,533,641	8,972,672	49,028,211	12,134,671	2,465,455	83,134,650	49,733,063	132,867,713
Operating and administrative expenses	(4,329,920)	(5,695,491)	(27,995,067)	(13,442,602)	(923,940)	(52,387,020)	(23,746,109)	(76,133,129)
Provision for doubtful debts	-	-	-	-	-	-	-	(4,500,000)
Net operating results	6,203,721	3,277,181	21,033,144	(1,307,931)	1,541,515	30,747,630	25,986,954	52,234,584

## AL BUHAIRA NATIONAL INSURANCE COMPANY P.S.C. AND ITS SUBSIDIARY

Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)

## 26. Segment information (continued)

## b) Segment consolidated statement of income for the year ended 31 December 2016

	Marine AED	Fire AED	Accident and liabilities AED	General and others AED	Life AED	Total insurance AED	Investments AED	Total AED
Gross written premiums	44,635,500	40,126,141	327,369,565	278,925,346	12,108,597	703,165,149	-	703,165,149
Change in unearned premiums	3,720,462	21,418	(24,499,769)	3,298,760	(711,260)	(18,170,389)	-	(18,170,389)
Premiums ceded to reinsurance	48,355,962	40,147,559	302,869,796	282,224,106	11,397,337	684,994,760	-	684,994,760
Change in unearned premiums	36,733,472	37,866,018	129,200,011	138,710,038	10,530,326	353,039,865	-	353,039,865
Net earned premiums	2,543,521	609,292	(4,046,988)	10,066,019	(806,976)	8,364,868	-	8,364,868
Gross claims paid	39,276,993	38,475,310	125,153,023	148,776,057	9,723,350	361,404,733	-	361,404,733
Gross outstanding claims, UALE, URR and IBNR - 1 January 2016	9,078,969	1,672,249	177,716,773	133,448,049	1,673,987	323,590,027	-	323,590,027
Gross outstanding claims, UALE, URR and IBNR - 31 December 2016	(9,937,004)	(15,068,582)	(231,524,688)	(251,495,472)	(6,970,903)	(514,996,649)	-	(514,996,649)
Gross outstanding claims, UALE, URR and IBNR - 1 January 2016	19,014,373	11,789,785	150,404,274	80,417,109	9,040,864	270,666,405	-	270,666,405
Gross outstanding claims, UALE, URR and IBNR - 31 December 2016	(20,740,817)	(20,813,942)	(177,770,625)	(69,552,412)	(10,001,664)	(298,879,460)	-	(298,879,460)
	(11,663,448)	(24,092,739)	(258,891,039)	(240,630,775)	(7,931,703)	(543,209,704)	-	(543,209,704)

Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)

26. Segment information (continued)

b) Segment consolidated statement of income for the year ended 31 December 2016 (continued)

	Marine AED	Fire AED	Accident and liabilities AED	General and Others AED	Life AED	Total insurance AED	Investments AED	Total AED
Reinsurance recoveries	5,472,879	10,511,523	84,456,231	121,736,529	5,615,319	227,792,481	-	227,792,481
Reinsurance outstanding claims, UALE, URR and IBNR - 1 January 2016	(13,990,902)	(8,433,240)	(54,125,819)	(31,157,164)	(6,968,432)	(114,675,557)	-	(114,675,557)
Reinsurance outstanding claims, UALE, URR and IBNR - 31 December 2016	13,639,751	16,565,484	64,917,423	33,437,769	7,750,646	136,311,073	-	136,311,073
	5,121,728	18,643,767	95,247,835	124,017,134	6,397,533	249,427,997	-	249,427,997
Net incurred claims	(6,541,720)	(5,448,972)	(163,643,204)	(116,613,641)	(1,534,170)	(293,781,707)	-	(293,781,707)
Net commissions	7,113,055	5,333,313	20,168,851	2,866,150	2,960,103	38,441,472	-	38,441,472
Net underwriting results	9,650,304	1,556,590	34,242,420	19,700,558	3,099,920	68,249,792	-	68,249,792
Investment properties income	-	-	-	-	-	-	46,743,920	46,743,920
Net loss on investment in securities and other investments	-	-	-	-	-	-	(745,581)	(745,581)
Net income before operating and administrative expenses	9,650,304	1,556,590	34,242,420	19,700,558	3,099,920	68,249,792	45,998,339	114,248,131
Operating and administrative expenses	(3,651,357)	(3,151,939)	(16,312,041)	(19,076,017)	(879,207)	(43,070,561)	(24,450,111)	(67,520,672)
Provision for doubtful debts	-	-	-	-	-	-	-	(4,000,000)
Net operating results	5,998,947	(1,595,349)	17,930,379	624,541	2,220,713	25,179,231	21,548,228	42,727,459

Notes to the financial statements  
For the year ended 31 December 2017 (continued)

26. Segment information (continued)

c) Segment consolidated statement of financial position is as follows:

	31 December 2017				31 December 2016			
	General insurance AED	Life insurance AED	Investments	Total AED	General insurance AED	Life insurance AED	Investments AED	Total AED
Segment assets	750,822,043	25,111,890	980,919,885	1,756,853,818	785,595,023	22,213,109	979,397,508	1,787,205,640
Segment liabilities	641,911,570	23,921,879	427,338,212	1,093,171,661	783,468,657	19,900,674	349,582,226	1,152,951,557

There are no transactions between the business segments.

**Notes to the consolidated financial statements  
For the year ended 31 December 2017 (continued)**

**27. Dividend**

At the annual general meeting held on 3 April 2017, the Shareholders approved a cash dividend of 10 fils per share amounting to AED 25 million for 2016 (2016: AED 25 million for 2015) and Board of Directors' remuneration amounting to AED 1.4 million (2016: AED 1.2 million)

The Board of Directors propose that a dividend of AED 10 fils per share amounting to AED 25 million to be paid to the shareholders in 2018. Further, the Board of Directors' propose a remuneration of AED 1.4 million to be paid for year 2017. These are subject to approval by the shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

**28. Social contribution**

The Group did not make any social contribution during the financial year ended 31 December 2017.

**29. Approval of the consolidated financial statements**

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 15 March 2018.