Abu Dhabi National Insurance Company PSC

BOARD OF DIRECTORS' STATEMENT,
CHIEF EXECUTIVE OFFICER'S STATEMENT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Abu Dhabi National Insurance Company PSC

Composition of Board of Directors

Chairman:	Sheikh Mohamed Bin Saif Al-Nahyan
Vice Chairman:	Sheikh Theyab Bin Tahnoon Al-Nahyan
Members:	H.E. Sultan Rashed Al-Dhaheri Mr. Abdulla Khalaf Al-Otaiba Mr. Omar Liaqat Mr. Jamal Sultan Al-Hameli Mr. Abdulrahman Hamad Al-Mubarak Mr. Hazzaa Mohamed Al-Mheiri Mr. Hamoodah Ghanem Bin Hamoodah
Chief Executive Officer:	Mr. Ahmad Idris
Address:	P.O. Box 839 Abu Dhabi United Arab Emirates
External auditors:	Ernst & Young Middle East

Abu Dhabi National Insurance Company PSC

BOARD OF DIRECTORS' STATEMENT

31 DECEMBER 2018

عام زايد YEAR OF ZAYED

Abu Dhabi National Insurance Company P.J.S.C.
Board of Directors' Statement
For the year ended 31st December 2018

On behalf of the Board of Directors of Abu Dhabi National Insurance Company (ADNIC), I am pleased to present our Board of Directors' Report and Audited Consolidated Financial Statements for the year ended 31st December 2018.

The Board of Directors is pleased to report that ADNIC achieved strong results in 2018, the year of Zayed, demonstrating the strength and dynamism of the UAE economy. ADNIC's success against the backdrop of continued challenging market conditions reflects the benefits of our focus on diversification, innovation and efficiency in 2018, with new products, enhanced processes and a broader footprint underpinning our success. As technology continues to reshape the insurance sector, we are committed to ensuring that ADNIC leads the way through innovative service delivery based on sophisticated data analysis to provide a customer experience second to none.

Our focus in 2019, the Year of Tolerance, is on using our financial strength and unique capabilities to support our diverse customer base while maintaing our broader contribution to the community and creating value for our shareholders.

Key Financial Highlights:

Cash Balances
ADNIC's cash balances increased by 21.2% to AED 854.6 million as at 31st December 2018, compared to AED 705.4 million as of December 31st 2017.

Investments
Total investments including cash in time deposits, bank accounts and investment properties increased by 10.4% to AED 3.75 billion as of 31st December 2018, compared to AED 3.39 billion as of December 31st 2017.

Total Assets
Total assets increased by 8.3% to AED 7.25 billion as of 31st December 2018, compared to AED 6.70 billion as of December 31st 2017.

Gross Technical Reserves
Gross Technical Reserves increased by 1.9% to AED 3.96 billion as of 31st December 2018, compared to AED 3.88 billion as of December 31st 2017.

Abu Dhabi National Insurance Company P.J.S.C.
Board of Directors' Statement
For the year ended 31st December 2018
(Continued)

Shareholders' Equity

Shareholders' Equity position increased by 6.4% AED 2.10 billion as of 31st December 2018, compared to AED 1.98 billion as of December 31st 2017.

Return on Equity

Return on equity is 11.6% for 2018 and 12.2% for 2017.

Basic and Diluted Earnings Per Share

Basic and diluted earnings per share increased by 5.0% to AED 0.42 as a result of achieving a net profit of AED 235.6 million for the year 2018 compared to basic and diluted earnings per share of AED 0.40 resulting from a net profit of AED 227.3 million last year.

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

Sheikh Mohamed Bin Saif Al-Nahyan
Chairman of the Board of Directors

Abu Dhabi National Insurance Company PSC

CHIEF EXECUTIVE OFFICER'S STATEMENT

31 DECEMBER 2018

Abu Dhabi National Insurance Company P.J.S.C.
Chief Executive Officer's Statement
For the year ended 31st December 2018

I hereby present ADNIC's financial results for the year ended 31st December 2018.

2018 marked another successful year for ADNIC, characterised by strong revenue growth, high net profit and sharp underwriting discipline, with our performance standing as testament to our innovative and customer-centric service offering. Through this year-on-year growth we maintained our position as one of the region's leading insurers, delivering against key financial, regulatory and customer service metrics. ADNIC's achievements were made possible by the deep support of our customers, partners and shareholders, and the exceptional contributions of our employees, and we will continue to use our strength and competitive advantage to protect all stakeholders.

In 2019, with the sector well placed for growth, innovation and technological advancement will be key differentiations. ADNIC will continue to develop as a business and seize new opportunities by investing in market leading technologies that both bring us closer to our customers while accelerating the pace of innovation in the wider sector.

Key Financial Highlights:

Gross Written Premiums
For the year 2018, ADNIC's Gross Written Premium increased by 10.1% to AED 2.91 billion compared to AED 2.64 billion for 2017.

Premium Retention
The overall premium retention ratio reached 46% for the year 2018 compared to 47% for 2017.

Net Underwriting Income
For the year 2018, ADNIC's Net Underwriting profit increased by 21.5% to AED 369.5 million, against Net Underwriting Profit of AED 304.0 million for 2017.

General and Administrative Expenses
General and Administrative Expenses for 2018 stood at AED 229.7 million compared to AED 191.0 million for 2017.

Net Technical Profit
Net Technical Profit for the year 2018 increased by 22.8% to AED 145.4 million against Net Technical Profit of AED 118.4 million for 2017.

Net Investment Income
ADNIC's Net Investment and other income stood at AED 95.9 million for 2018 compared to AED 114.2 million for 2017.

Abu Dhabi National Insurance Company P.J.S.C.
Chief Executive Officer's Statement
For the year ended 31st December 2018
(Continued)

Net Profit
For the year 2018, Net profit increased by 3.7% to AED 235.6 million, compared to net profit of AED 227.3 million for 2017.

Appreciation
ADNIC's achievements were made possible by the deep support of our customers, partners and shareholders, and the exceptional contributions of our employees. As one of the leading multiline insurance providers in the region, ADNIC looks forward to continuing to support our customers' evolving needs and creating solutions that deliver real value for them throughout 2019. I would also like to thank the Board of Directors for the continues support towards the company's sustainable development.

Ahmad Idris
Chief Executive Officer

Abu Dhabi National Insurance Company PSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABU DHABI NATIONAL INSURANCE COMPANY PSC

Report on the Audit of the Consolidated Financial Statements

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its 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 (ISA). 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 ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABU DHABI NATIONAL INSURANCE COMPANY PSC

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued

(a) Estimates and judgements used in calculation of insurance contract provisions (refer to note 9 in the consolidated financial statements)

The measurement of insurance contract provisions, which includes the following, involves key judgements and estimates over uncertain future outcomes.

- Claims incurred but not reported (IBNR);
- Insurance premium deficiency reserve (PDR);
- Unexpired risk reserve (URR); and
- Allocated & unallocated loss adjustment expense (ALAE & ULAE).

The insurance contract provisions of the Group are calculated as documented in the consolidated financial statements disclosure under the section "use of estimates and judgements".

We considered the results of an independent actuarial review of the insurance contract provisions as at the reporting date. We involved our actuarial specialists to assist us in performing the audit procedures in this area, which included amongst others, review of methodology, data used as input and estimates and judgements used in the Actuary's valuation. We also assessed the Actuary's independence, qualifications and expertise and read their terms of engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

Further, we assessed the adequacy of the disclosures regarding these liabilities in the consolidated financial statements in accordance with International Financial Reporting Standards.

(b) Estimation of liability against outstanding claims (refer to note 9 in the consolidated financial statements)

The valuation of claim reserving incorporates a significant amount of estimates and judgements. It is reasonably possible that uncertainties inherent in the reserving process, delays in insureds or ceding companies reporting losses to the Group, litigations arising in the ordinary course of business, together with the potential for unforeseen adverse developments, could lead to the ultimate amount paid varying materially from the amount estimated at the reporting date.

We understood, assessed and tested the design and operational effectiveness of key controls over the Group's reserving process, including the review and approval of the reserves and probability of outflow of economic resources and reliability of estimating such outflow. Further, we considered, on a sample basis, the review and results of internal claims department, external third party loss adjustors and internal and external legal counsel to assist us in assessing the reserves recorded by the Group. Certain matters, in particular those involving litigation are subject to many uncertainties and the outcome on timing of closure and outflow of economic resources may vary materially from the amount estimated at the reporting date.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABU DHABI NATIONAL INSURANCE COMPANY PSC

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued

(c) Recoverability of insurance receivables from policy holders, insurance companies and reinsurance companies (refer to note 8 in the consolidated financial statements)

The Group in its normal course of business is exposed to risks of non - recoverability from policyholders, insurance companies and reinsurance companies due to disputes / litigations or due to deterioration of financial conditions of the counter party. The key associated risk is the recoverability of insurance receivables of AED 1,034,907 thousand. Management's related provision is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.

We reviewed the past trend of actual amounts written off and the credit ratings of the counter parties (where available) to assess the provision held as at year-end.

Furthermore, we discussed with management and reviewed correspondence, where relevant, to identify any disputes, and assessed whether such matters were considered in the bad debt provision.

Other information

Other information consists of the information included in the Annual Report, Board of Directors Statement and Chief Executive Officer's Statement, other than the consolidated financial statements and our auditor's report thereon. We obtained the Board of Directors Report and Chief Executive Officer's Statement prior to the date of our audit report, and we expect to obtain the sections of the Annual Report after the date of our auditor's opinion. Management is responsible for the other information.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABU DHABI NATIONAL INSURANCE COMPANY PSC

Report on the Audit of the Consolidated Financial Statements continued

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Article of Association, the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABU DHABI NATIONAL INSURANCE COMPANY PSC

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 disclosures 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 with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABU DHABI NATIONAL INSURANCE COMPANY PSC

Report on Other Legal and Regulatory Requirements

We report that:

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

(ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007, and the Articles of Association of the Company;

(iii) the Group has maintained proper books of account;

(iv) the consolidated financial information included in the Board of Directors' Statement and Chief Executive Officer's Statement are consistent with the books of account and records of the Group;

(v) investments in shares and stocks are included in note 11 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2018;

(vi) note 24 reflects material related party transactions and the terms under which they were conducted;

(vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2018, any of the applicable provisions of the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007, or of its Articles of Association which would have a material impact on its activities or its consolidated financial position as at 31 December 2018; and

(viii) note 28 relfects the social contribution made during the year.

Signed by:
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No. 532

12 February 2019
Abu Dhabi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	*2018* *AED'000*	*2017* *AED'000*
ASSETS			
Property and equipment	13	**71,624**	69,865
Investments at amortised cost	11	**774,315**	616,853
Investments carried at fair value through other comprehensive income	11	**1,135,973**	1,123,113
Investments carried at fair value through profit or loss	11	**270,218**	205,399
Investment properties	12	**709,987**	741,025
Statutory deposit	10 & 25	**10,000**	10,000
Insurance balances receivable	8	**892,649**	758,294
Reinsurers' share of unearned premium reserve	9	**739,584**	658,333
Reinsurers' share of outstanding claims reserve	9	**1,296,925**	1,295,990
Reinsurers' share of claims incurred but not reported reserve	9	**318,937**	307,500
Prepayments and other receivables	8	**185,417**	215,417
Deposits	25	**507,866**	481,930
Bank balance and cash	25	**336,769**	213,504
TOTAL ASSETS		**7,250,264**	6,697,223
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**375,000**	375,000
Legal reserve	15	**187,500**	187,500
General reserve	16	**850,000**	750,000
Investments revaluation reserve		**85,914**	93,191
Mandatory convertible bonds – equity component	18	**305,925**	305,925
Retained earnings	17	**297,400**	263,983
Total equity		**2,101,739**	1,975,599
LIABILITIES			
Employees' end of service benefits	19	**31,600**	30,919
Other payables	20	**311,132**	186,971
Mandatory convertible bonds – liability component	18	**27,960**	54,788
Trade accounts payable	20	**819,743**	566,527
Technical reserves			
Unearned premium reserve	9	**1,284,135**	1,290,973
Outstanding claims reserve	9	**2,090,512**	1,999,346
Claims incurred but not reported reserve	9	**537,214**	540,000
Allocated and unallocated loss adjustment expense reserve	9	**46,229**	52,100
Total technical reserves		**3,958,090**	3,882,419
TOTAL LIABILITIES		**5,148,525**	4,721,624
TOTAL EQUITY AND LIABILITIES		**7,250,264**	6,697,223

Chairman of the Board of Directors

Chief Executive Officer

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

CONSOLIDATED STATEMENT OF INCOME
Year ended 31 December 2018

	Notes	***2018 AED'000***	*2017 AED'000*
Gross premium	26	**2,909,471**	2,643,297
Reinsurance share of ceded premiums	26	**(1,567,247)**	(1,410,896)
Net premium		**1,342,224**	1,232,401
Net change in unearned premium reserve	26	**88,089**	(194,873)
Net premium earned		**1,430,313**	1,037,528
Commissions earned	26	**150,913**	152,053
Commissions incurred	26	**(144,274)**	(143,517)
Gross underwriting income		**1,436,952**	1,046,064
Gross claims paid	26	**(1,716,488)**	(1,656,751)
Reinsurance share of claims paid	26	**758,439**	1,024,186
Net claims paid		**(958,049)**	(632,565)
Change in provisions for outstanding claims reserve		**(91,166)**	(169,475)
Change in reinsurance share of outstanding claims reserve		**935**	90,573
Net decrease in incurred but not reported claims reserve		**14,223**	4,900
Net decrease in allocated and unallocated loss adjustment expense reserve		**5,871**	700
Net claims incurred	26	**(1,028,186)**	(705,867)
Underwriting income		**408,766**	340,197
Other income related to underwriting activities	26	**9,816**	8,580
Other expenses related to underwriting activities	26	**(49,084)**	(44,765)
Net underwriting income		**369,498**	304,012
Income from investments	21	**58,721**	74,791
Income from investment properties (rental income)	21	**37,157**	39,441
Total income		**465,376**	418,244
General and administrative expenses	22	**(229,732)**	(190,964)
PROFIT FOR THE YEAR		**235,644**	227,280
Earnings per share:			
Basic and diluted earnings per share (AED)	23	**0.42**	0.40

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2018

	Notes	***2018 AED'000***	*2017 AED'000*
Profit for the year		**235,644**	227,280
Other comprehensive income			
Items that will not be reclassified to the statement of income:			
Loss on sale of investments carried at fair value through other comprehensive income		**(2,677)**	(15,724)
Changes in fair value of investments carried at fair value through other comprehensive income	11	**(7,277)**	60,612
Directors' remuneration	17	**(5,800)**	(5,800)
Total other comprehensive income		**(15,754)**	39,088
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**219,890**	266,368

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2018

	Share capital AED'000	*Legal reserve AED'000*	*General reserve AED'000*	*Investments revaluation reserve AED'000*	*Mandatory convertible bonds AED'000*	*Retained earnings AED'000*	*Total equity AED'000*
Balance at 1 January 2017	375,000	187,500	550,000	32,579	305,925	314,477	1,765,481
Profit for the year	-	-	-	-	-	227,280	227,280
Other comprehensive income (loss)	-	-	-	60,612	-	(21,524)	39,088
Total comprehensive income for the year	-	-	-	60,612	-	205,756	266,368
Dividends declared and paid (note 17)	-	-	-	-	-	(56,250)	(56,250)
Transfer from retained earnings to general reserve (note 16)	-	-	200,000	-	-	(200,000)	-
Balance at 31 December 2017	375,000	187,500	750,000	93,191	305,925	263,983	1,975,599
Balance at 1 January 2018	375,000	187,500	750,000	93,191	305,925	263,983	1,975,599
Profit for the year	-	-	-	-	-	235,644	235,644
Other comprehensive loss	-	-	-	(7,277)	-	(8,477)	(15,754)
Total comprehensive (loss) income for the year	-	-	-	(7,277)	-	227,167	219,890
Dividend declared and paid (note 17)	-	-	-	-	-	(93,750)	(93,750)
Transfer from retained earnings to general reserve (note 16)	-	-	100,000	-	-	(100,000)	-
Balance at 31 December 2018	**375,000**	**187,500**	**850,000**	**85,914**	**305,925**	**297,400**	**2,101,739**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2018

	Notes	*2018* *AED'000*	*2017* *AED'000*
OPERATING ACTIVITIES			
Profit for the year		**235,644**	227,280
Adjustments for:			
Net movement in unearned premium reserve		**(88,089)**	194,873
Change in gross outstanding claims and IBNR reserves		**82,509**	108,175
Change in reinsurance share of outstanding claims and IBNR reserves		**(12,372)**	(34,873)
Depreciation expense	13	**13,422**	13,265
Charge of (reversal of) provision of receivables	8 & 22	**3,027**	(20,469)
Change in fair value of investment properties	12 & 21	**32,447**	16,957
Change in fair value of investments carried through profit or loss	11 & 21	**6,960**	(8,112)
Gain on disposal of investments carried through profit or loss		**(38)**	-
Gain on disposal of investments at amortised cost		**(143)**	-
Net amortisation expense	11	**3,307**	2,949
Accretion on mandatory convertible bonds	18	**2,422**	1,494
Amortisation of transaction cost - mandatory convertible bonds	18	**183**	183
Provision for employees' end of service benefits	19	**4,200**	4,368
Gain on disposal of property and equipment		**-**	(103)
		283,479	505,987
Working capital changes:			
Insurance balances receivable, prepayments and other receivables		**(107,565)**	(9,438)
Trade and other payables		**377,377**	(176,079)
Cash from operations		**553,291**	320,470
Employees end of service benefits paid	19	**(3,519)**	(4,653)
Net cash from operating activities		**549,772**	315,817
INVESTING ACTIVITIES			
Change in bank deposits		**(25,936)**	70,601
Purchase of property and equipment	13	**(15,181)**	(7,273)
Proceeds from disposal of property and equipment		**-**	106
Purchase of investments	11	**(748,947)**	(1,068,312)
Proceeds from sale of investments		**493,766**	526,613
Additions to investment properties	12	**(1,409)**	(278)
Net cash used in investing activities		**(297,707)**	(478,543)
FINANCING ACTIVITIES			
Dividend paid	17	**(93,750)**	(56,250)
Directors' remuneration	17	**(5,800)**	(5,800)
Interest payment on mandatory convertible bonds	18	**(29,250)**	(29,250)
Net cash used in financing activities		**(128,800)**	(91,300)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**123,265**	(254,026)
Cash and cash equivalents at 1 January		**213,504**	467,530
CASH AND CASH EQUIVALENTS AT 31 December	25	**336,769**	213,504

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

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Abu Dhabi National Insurance Company PSC (the "Company") is a public joint stock company incorporated in Abu Dhabi, United Arab Emirates, by Law No. (4) of 1972 as amended, and is governed by the provisions of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations , the Federal Law No. (2) of 2015 Concerning the Commercial Companies which has come into effect from 1 July 2015, and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies.

The Company's principal activity is the transaction of insurance and reinsurance business of all classes.

The registered office of the Company is Khalifa Street, ADNIC Building, P O Box 839, Abu Dhabi, UAE.

This consolidated financial statement includes the financial performance and position of the Company and its subsidiary (collectively referred to as the "Group").

The consolidated financial statements were approved for issuance by the Board of Directors on 12 February 2019.

2.1 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention as modified for re-measurement of investment securities and investment properties at fair value.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the Federal Law No. (2) of 2015 Concerning the Commercial Companies which has come into effect from 1 July 2015 and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies.

The consolidated financial statements are presented in United Arab Emirates Dirhams (AED) being the functional currency of the Group.

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities within 12 months after the consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in note 5.3.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as noted below.

During the year the Group has adopted the following new standards / amendments to the standards effective for the annual period beginning on or after 1 January 2018:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

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

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

The Group has early applied the IFRS 9 from 1 January 2011 and reclassified, with effect from 1 January 2011, all available for sale securities that were still held as at fair value through OCI. Application of the other phases of the standard did not affect the Group's consolidated financial statement.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. This standard is not applicable to the Group, as the Group will adopt IFRS 17 Insurance Contracts, which will become effective for reporting periods beginning on or after 1 January 2022.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Considerations*

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

Amendments to IAS 40 *Transfers of Investment Property*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

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

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

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

2.3 SIGNIFICANT ACCOUNTING POLICIES

Financial assets and liabilities

Recognition

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

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in:

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

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

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

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

Designation at amortised cost

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

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

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

Investments in equity instruments are classified and measured at fair value through profit or loss except if the equity investment is not held for trading and is designated by the Group at fair value through other comprehensive income. If the equity investment is designated at fair value through other comprehensive income, all gains and losses, except for dividend income recognised in accordance with IAS 18 Revenue, are recognised in consolidated statement of other comprehensive income and are not subsequently reclassified to the consolidated statement of income.

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

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

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

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

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

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

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

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 7.

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of financial assets
The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of financial assets continued
Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. Financial assets at amortised cost together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Other income'.

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

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

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

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

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Insurance contracts continued

Unexpired risk reserve

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

Provision for premium deficiency / liability adequacy test

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

Claims

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

Reinsurance

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

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

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

Deferred commission expenses and other expenses and Unearned commission income and other income

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

Insurance receivables

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

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

Finance cost
Interest paid is recognised in the consolidated statement of income as it accrues and is calculated by using the effective interest rate method.

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

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

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets continued
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Investment properties
Investment properties are properties held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in operating income in the consolidated statement of income. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. The Group holds investment properties which are disclosed in note 12.

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

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

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

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

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

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

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

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

Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. All of the Group's operating lease contracts are renewable.

Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The Group enters into operating leases for their investment properties. Rental income from such operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

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

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

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018, with the Group not opting for early adoption. These have, therefore, not been applied in preparing these consolidated financial statements.

IFRS 16 *Leases*
IFRS 16 was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, it substantially carries forward the requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard." The Group is in the process of evaluating the potential impact of IFRS 16 on the consolidated financial statements.

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

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

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

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

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group does not expect any effect on its consolidated financial statements.

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

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

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. This standard is not applicable to the Group.

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28 *Long-term interests in associates and joint ventures*
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

Annual Improvements 2015-2017 cycle
These improvements include:

IFRS 3 *Business Combinations*
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 *Joint Arrangements*
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. Since the Group does not have joint arrangements, the amendments will not have an impact on its consolidated financial statements.

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

Annual Improvements 2015-2017 cycle continued

IAS 12 *Income Taxes*
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. This standard is not applicable to the Group.

IAS 23 *Borrowing Costs*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. This standard is not applicable to the Group.

4 BASIS OF CONSOLIDATION

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

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

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

The Subsidiary is fully consolidated from the date on which control is transferred to the Company. The Company exercises control over the subsidiary listed above. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

4 BASIS OF CONSOLIDATION continued

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

5 RISK MANAGEMENT

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

5.1 Introduction and overview

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

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

5 RISK MANAGEMENT continued

5.1 Introduction and overview continued

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

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

Regulation
1. Basis of Investing the Rights of the Policy Holders
2. Solvency Margin and Minimum Guarantee Fund
3. Basis of calculating the technical provisions
4. Determining the Company's assets that meet the accrued insurance liabilities
5. Records which the Company shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
6. Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records
7. Accounting policies to be adopted and the necessary forms needed to be prepare and present reports and financial statements

5.2 Insurance risk

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

The Group writes the following types of general insurance contracts:

- Marine hull insurance
- Marine cargo insurance
- Aviation insurance
- Engineering insurance
- Energy insurance
- Liability insurance
- Financial lines insurance
- Property insurance
- Accident insurance
- Group life insurance
- Motor insurance
- Health insurance

5 RISK MANAGEMENT continued

5.2 Insurance risk continued

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

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

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

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

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

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

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

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

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

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

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

	Year ended 31 December 2018		*Year ended 31 December 2017*	
Type of risk	***Gross loss ratio***	***Net loss ratio***	*Gross loss ratio*	*Net loss ratio*
Commercial	**53%**	**57%**	66%	68%
Consumer	**71%**	**77%**	74%	68%

5 RISK MANAGEMENT continued

5.2 Insurance risk continued

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

	2013 and earlier AED'000	*2014 AED'000*	*2015 AED'000*	*2016 AED'000*	*2017 AED'000*	*2018 AED'000*	*Total AED'000*
Commercial (gross)							
At the end of the reporting year		1,148,446	844,711	925,939	1,279,382	1,089,104	5,287,582
One year later		1,344,165	785,954	730,350	1,181,673		4,042,142
Two years later		1,337,958	703,396	661,482			2,702,836
Three years later		1,264,217	700,908				1,965,125
Four years later		1,200,062					1,200,062
Current estimate of cumulative claims		1,200,062	700,908	661,482	1,181,673	1,089,104	4,833,229
Cumulative payments to date		1,059,376	488,972	475,830	644,898	66,419	2,735,495
Total liability recognised in the consolidated statement of financial position	91,041	140,686	211,936	185,652	536,775	1,022,685	2,188,775
Consumer (gross)							
At the end of the reporting year		1,134,084	968,060	864,253	885,329	1,137,759	4,989,485
One year later		1,301,114	895,816	816,489	836,589		3,850,008
Two years later		1,296,552	884,024	796,620			2,977,196
Three years later		1,286,292	888,413				2,174,705
Four years later		1,280,611					1,280,611
Current estimate of cumulative claims		1,280,611	888,413	796,620	836,589	1,137,759	4,939,992
Cumulative payments to date		1,272,350	873,898	776,098	789,124	744,942	4,456,412
Total liability recognised in the consolidated statement of financial position	1,600	8,261	14,515	20,522	47,465	392,817	485,180
Total commercial and consumer (gross)	92,641	148,947	226,451	206,174	584,240	1,415,502	2,673,955

5 RISK MANAGEMENT continued

5.2 Insurance risk continued

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

The Group has an overall risk retention level in the region of 46% (2017: 47%) and this is mainly due to overall low retention levels in commercial lines. Despite these low retention levels on commercial lines, due to the unpredictability in events and their extreme volatility, large events stress the performance of the Group despite transferring risks to other parties. For all lines of business, the Group is adequately covered by excess of loss reinsurance programs to guard against any major financial impact.

Concentration of insurance risk
In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. The Group manages its risks through it's prudent underwriting strategy, reinsurance arrangements aligned with the Group's risk appetite and thorough claims handling.

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

As part of our strategy to decrease volatility due to concentration of exposure, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

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

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

The concentration of insurance risk as at 31 December 2017 was as follows:

	Commercial		*Consumer*		*Total exposure*	
	Gross AED'000	*Net AED'000*	*Gross AED'000*	*Net AED'000*	*Gross AED'000*	*Net AED'000*
UAE	870,234,883	222,208,303	27,315,723	13,539,370	897,550,606	235,747,673
GCC countries	56,962,620	19,098,526	520,101	179,120	57,482,721	19,277,646
Others	36,543,060	9,497,635	1,509,435	975,880	38,052,495	10,473,515
	963,740,563	250,804,464	29,345,259	14,694,370	993,085,822	265,498,834

5 RISK MANAGEMENT continued

5.3 Financial risk

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

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

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

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

	2018 ***AED'000***	*2017* *AED'000*
Maximum exposure		
Investments at amortised cost	**774,315**	616,853
Reinsurance contract assets	**1,296,925**	1,295,990
Trade and other receivables	**956,126**	859,261
Bank balances	**854,548**	705,352
Total	**3,881,914**	3,477,456

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

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

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

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.

5 RISK MANAGEMENT continued

5.3 Financial risk continued

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

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

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

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

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

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

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

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

		Contractual cash outflows	
	Carrying amount AED'000	*Upto 180 days AED'000*	*181 to 365 days AED'000*
Financial liabilities at 31 December 2018			
Insurance contract liabilities	**2,673,955**	**(1,019,758)**	**(1,654,197)**
Trade and other payables	**954,633**	**(954,633)**	**-**
Mandatory convertible bonds	**27,960**	**(27,960)**	**-**
Total	**3,656,548**	**(2,002,351)**	**(1,654,197)**
Financial liabilities at 31 December 2017			
Insurance contract liabilities	2,591,446	(950,802)	(1,640,644)
Trade and other payables	591,835	(591,835)	-
Mandatory convertible bonds	54,788	(28,376)	(26,412)
Total	3,238,069	(1,571,013)	(1,667,056)

5 RISK MANAGEMENT continued

5.3 Financial risk continued

Liquidity risk continued
Management of liquidity risk continued
The expected maturity profile of the assets at 31 December 2018 and 2017 is as follows:

	Current AED '000	*Non-current AED '000*	*Total AED '000*
31 December 2018			
Bank balances and cash	**844,635**	**10,000**	**854,635**
Trade and other receivables	**1,078,066**	**-**	**1,078,066**
Reinsurance contracts assets	**2,355,446**	**-**	**2,355,446**
Investments	**1,210,675**	**969,831**	**2,180,506**
Investment properties	**-**	**709,987**	**709,987**
Property and equipment	**-**	**71,624**	**71,624**
	5,488,822	**1,761,442**	**7,250,264**
31 December 2017			
Bank balances and cash	695,434	10,000	705,434
Trade and other receivables	973,711	-	973,711
Reinsurance contracts assets	2,261,823	-	2,261,823
Investments	1,100,430	844,935	1,945,365
Investment properties	-	741,025	741,025
Property and equipment	-	69,865	69,865
	5,031,398	1,665,825	6,697,223

Except for end of service benefits of AED 31,600 thousand (2017: AED 30,919 thousand and mandatory convertible coupon liability amounting to AED 26,412 thousand), the Group expects its liabilities of AED 5,116,925 thousand (2017: AED 4,664,293 thousand) to mature in less than twelve months from the reporting date.

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

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

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

5 RISK MANAGEMENT continued

5.3 Financial risk continued

Market risk continued

Interest rate risk

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

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

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

At the reporting date if the interest rates are 1% (100 basis point) higher/lower and all the other variables were held constant the Group's net profit would have increased/decreased by AED 5,179 thousand (2017: AED 4,919 thousand).

Currency risk

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

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

Equity price risk

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

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

For investments held at fair value through profit or loss

Fair value would have increased/decreased by AED 27,022 thousand (2017: AED 20,540 thousand).

For investments held at fair value through other comprehensive income

Changes in revaluation reserves of shares would increase/decrease by AED 113,597 thousand (2017: AED 112,311 thousand) as a result of the changes in fair value of quoted shares.

5 RISK MANAGEMENT continued

5.3 Financial risk continued

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

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

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

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

5.4 Capital risk management

The Company's objectives when managing capital is to comply with the insurance capital requirements required by the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations.

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

On 28 December 2014, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for Insurance Companies and were then subsequently published in the UAE Official Gazette No. 575 on 28th January 2015 and came into force on 29 January 2015. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations. Insurance Authority allows an alignment period of up to three years for the insurance companies to be in compliance with the regulations.

As per the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the minimum capital requirement remains at AED 100 million for Insurance companies.

The table below summarises the Minimum Capital Requirement of the Group and the total capital held by the Group.

	2018 ***AED'000***	*2017* *AED'000*
Total capital held by the Company	**375,000**	375,000
Minimum regulatory capital	**100,000**	100,000

6 USE OF ESTIMATES AND JUDGEMENTS

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

Classification of investments
Management designates at the time of acquisition of securities whether these should be classified as at fair value through other comprehensive income, fair value through profit or loss or amortised cost. In judging whether investments in securities are as at fair value through other comprehensive income, fair value through profit or loss or amortised cost, Management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

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

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

Provision for unearned premium reserve and unexpired risk reserve
Unearned premium reserves includes premium deficiency reserve (PDR) and unexpired risk reserve (URR) which are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of UPR, PDR and URR reserve (net of related reinsurance asset) is AED 544.6 million (2017: AED 632.6 million).

Provision for incurred but not reported claims (IBNR)
Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR), using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of IBNR reserve (net of related reinsurance receivable) is AED 218.3 million (2017: AED 232.5 million).

6 USE OF ESTIMATES AND JUDGEMENTS continued

Estimation uncertainty continued

Provision for outstanding claims

Provision for outstanding claims include provision for ALAE and ULAE reserves. Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Group generally estimates its claims based on previous experience and / or loss adjustor reports. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters along with the Group's internal legal counsel normally estimate such claims. The ALAE and ULAE reserves are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation The carrying value at the reporting date of provision for outstanding claims (net of related reinsurance assets including ALAE/ULAE reserves) is AED 839.8 million (2017: AED 755.5 million).

Reinsurance

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

Impairment of insurance receivables

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance and other receivables are impaired entails the Group evaluating the credit and liquidity position of the policy holders and the insurance and reinsurance companies, historical recovery rates including detailed investigations carried out during 2018 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 consolidated statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the consolidated statement of income at the time of collection. Provision for the doubtful debts on insurance receivables at 31 December 2018 was AED 142,258 thousand (2017: AED 141,095 thousand).

Impairment of investments at amortised cost

The Group evaluates impairment on investments at amortised cost on an ongoing basis and a comprehensive review on a quarterly basis to assess whether an impairment charge should be recognised in the consolidated statement of income. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgements about counterparty's financial situation and other means of settlement and the net realisable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

Estimation of fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation consultants based on Discounted Cash Flow (DCF) and Investment Method of Valuation. The Investment method analyses potential rental income from the property and deducts the expenses incurred in the operation of the asset. The net rental income is then capitalised at market standards to arrive at Fair Value. The DCF method calculates the net.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised. The change in fair value recognised in the consolidated statement of income for the year was a decrease of AED 32,447 thousand (2017: decrease of AED 16,957 thousand).

Valuation of private equities

The valuation of private equity investments is based on net asset value determined by external fund managers.

7 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

Assets measured at fair value – fair value hierarchy
The table below analyses assets at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*	*Total* *AED'000*
31 December 2018				
Investments carried at fair value through profit or loss	**-**	**-**	**270,218**	**270,218**
Investment carried at fair value through OCI	**904,392**	**-**	**231,581**	**1,135,973**
	904,392	**-**	**501,799**	**1,406,191**
31 December 2017				
Investments carried at fair value through profit or loss	-	-	205,399	205,399
Investment carried at fair value through OCI	906,990	-	216,123	1,123,113
	906,990	-	421,522	1,328,512

7 FAIR VALUES OF FINANCIAL INSTRUMENTS continued

Fair value of financial instruments measured at amortised cost
Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Carrying amount AED'000	*Fair value AED'000*
31 December 2018		
Investments at amortised cost	**774,315**	**766,738**
31 December 2017		
Investments at amortised cost	616,853	615,224

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

	2018 AED'000	*2017 AED'000*
Balance as at 1 January	**421,522**	311,841
Change in fair value	**1,128**	63,314
Additions	**125,647**	104,096
Disposals	**(46,498)**	(57,729)
Balance at 31 December	**501,799**	421,522

During the years ended 31 December 2018 and 2017, there were no transfers between level 1 and 2.

8 TRADE AND OTHER RECEIVABLES

	2018 AED'000	*2017 AED'000*
Trade receivables	**1,034,907**	899,389
Less: impairment provision of receivables	**(142,258)**	(141,095)
Net insurance balances receivable	**892,649**	758,294
Other receivables:		
Deferred acquisition costs	**81,669**	80,937
Rental income receivable	**41,643**	56,344
Prepayments	**40,271**	33,513
Other receivables, net of provision	**21,834**	44,623
Total other receivables	**185,417**	215,417
Total trade and other receivables	**1,078,066**	973,711

8 TRADE AND OTHER RECEIVABLES continued

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

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

Impaired trade receivable of AED 363,728 thousand (2017: AED 445,557 thousand) have a provision of AED 142,258 thousand (2017: AED 141,095 thousand) recorded against them.

As at 31 December, the ageing analysis of unimpaired trade receivables and amounts due from related parties is as follows:

			Past due but not impaired	
	Total AED '000	*Neither past due nor impaired AED '000*	*121-365 days AED '000*	*Above 365 days AED '000*
31 December 2018				
Trade receivables	**671,179**	**598,794**	**72,385**	**-**
31 December 2017				
Trade receivables	453,832	413,948	39,884	-

Unimpaired receivables are expected on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are therefore, unsecured.

Movements in the provision for impairment of trade and other receivables were as follows:

	2018 AED'000	*2017 AED'000*
At 1 January	**141,095**	161,571
Write-offs during the year	**(1,864)**	(7)
Charge (reversal) for the year, net (note 22)	**3,027**	(20,469)
At 31 December	**142,258**	141,095

Movement in deferred acquisition costs were as follows:

	2018 AED'000	*2017 AED'000*
At 1 January	**80,937**	80,315
Acquisition costs paid / payable during the year	**194,090**	188,904
Amortised during the year	**(193,358)**	(188,282)
At 31 December	**81,669**	80,937

9 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS

	2018 AED'000	*2017 AED'000*
Insurance contract liabilities		
Outstanding claims (i)	**2,136,741**	2,051,446
Claims incurred but not reported	**537,214**	540,000
Unearned premium reserve (ii)	**1,284,135**	1,290,973
	3,958,090	3,882,419
Re-insurance contract assets		
Outstanding claims	**1,296,925**	1,295,990
Claims incurred but not reported	**318,937**	307,500
Unearned premium reserve	**739,584**	658,333
	2,355,446	2,261,823
Insurance liabilities - net		
Outstanding claims (i)	**839,816**	755,456
Claims incurred but not reported	**218,277**	232,500
Unearned premium reserve (ii)	**544,551**	632,640
	1,602,644	1,620,596

(i) Outstanding claims includes allocated and unallocated loss adjustment expenses reserve of AED 46,229 thousand (2017: AED 52,100 thousand)

(ii) Unearned premium reserve includes:

	2018 AED'000	*2017 AED'000*
Premium deficiency reserve - gross	**83,800**	112,800
Premium deficiency reserve - net	**25,400**	33,700
Unexpired risk reserve - gross	**46,438**	61,127
Unexpired risk reserve - net	**18,809**	22,169

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

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

9 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS continued

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

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

	31 December 2018			*31 December 2017*		
	Gross AED'000	*Re-Insurance AED'000*	*Net AED'000*	*Gross AED'000*	*Re-Insurance AED'000*	*Net AED'000*
Claims:						
Outstanding claims	**2,051,446**	**1,295,990**	**755,456**	1,882,671	1,205,417	677,254
Incurred but not reported	**540,000**	**307,500**	**232,500**	600,600	363,200	237,400
Total at 1 January	**2,591,446**	**1,603,490**	**987,956**	2,483,271	1,568,617	914,654
Claims settled	**(1,716,488)**	**(758,439)**	**(958,049)**	(1,656,751)	(1,024,186)	(632,565)
Increase in liabilities	**1,798,997**	**770,811**	**1,028,186**	1,764,926	1,059,059	705,867
Total at 31 December	**2,673,955**	**1,615,862**	**1,058,093**	2,591,446	1,603,490	987,956
Outstanding claims	**2,136,741**	**1,296,925**	**839,816**	2,051,446	1,295,990	755,456
Incurred but not reported	**537,214**	**318,937**	**218,277**	540,000	307,500	232,500
Total at 31 December	**2,673,955**	**1,615,862**	**1,058,093**	2,591,446	1,603,490	987,956
Unearned premium:						
Total at 1 January	**1,178,173**	**579,233**	**598,940**	1,066,811	643,744	423,067
Increase during the year	**2,909,471**	**1,567,247**	**1,342,224**	2,643,297	1,410,896	1,232,401
Release during the year	**(2,887,309)**	**(1,465,296)**	**(1,422,013)**	(2,531,935)	(1,475,407)	(1,056,528)
Net increase (decrease) during the year	**22,161**	**101,951**	**(79,789)**	111,362	(64,511)	175,873
Total at 31 December	**1,200,335**	**681,184**	**519,151**	1,178,173	579,233	598,940
Provision for Premium Deficiency Reserve:						
Total at 1 January	**112,800**	**79,100**	**33,700**	129,600	114,900	14,700
Net (decrease) increase during the year	**(29,000)**	**(20,700)**	**(8,300)**	(16,800)	(35,800)	19,000
Total at 31 December	**83,800**	**58,400**	**25,400**	112,800	79,100	33,700
Grand total	**3,958,090**	**2,355,446**	**1,602,644**	3,882,419	2,261,823	1,620,596

10 STATUTORY DEPOSIT

In accordance with the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the Group maintains a bank deposit of AED 10,000,000 (2017: AED 10,000,000) which cannot be utilised without the consent of the Chairman of the Insurance Authority's Board of Directors.

11 INVESTMENTS

	2018 *AED'000*	*2017* *AED'000*
Investments at fair value through other comprehensive income	**1,135,973**	1,123,113
Investments at amortised cost	**774,315**	616,853
Investment at fair value through profit or loss	**270,218**	205,399
	2,180,506	1,945,365

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

	2018 *AED'000*	*2017* *AED'000*
At 1 January	**1,123,113**	772,528
Additions during the year	**419,662**	772,492
Disposals during the year	**(399,525)**	(482,519)
Net change in fair value	**(7,277)**	60,612
At 31 December	**1,135,973**	1,123,113

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

	2018 *AED'000*	*2017* *AED'000*
At 1 January	**616,853**	414,224
Additions during the year	**232,333**	220,581
Disposals during the year	**(71,564)**	(15,003)
Amortisation expense	**(3,307)**	(2,949)
At 31 December	**774,315**	616,853

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

	2018 *AED'000*	*2017* *AED'000*
At 1 January	**205,399**	166,863
Additions during the year	**96,952**	75,239
Disposals during the year	**(25,173)**	(44,815)
Net change in fair value (note 21)	**(6,960)**	8,112
At 31 December	**270,218**	205,399

Geographical concentration of investments is as follows:

Within UAE	**1,244,297**	1,097,772
Outside UAE	**936,209**	847,593
	2,180,506	1,945,365

12 INVESTMENT PROPERTIES

	Abu Dhabi Head Office Land and Building (i)	*Al Ain Land and Building* (ii)	*Sharjah Land and Building* (iii)	*Al Raha Beach (Plot 406) and Building* (iv)	*Al Raha Beach (Plot 408) and Building* (v)	*Total*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*
2018						
At 1 January 2018	**135,189**	**11,909**	**46,800**	**315,927**	**231,200**	**741,025**
Additions	**1,409**	**-**	**-**	**-**	**-**	**1,409**
Decrease in fair value during the year (note 21)	**(7,271)**	**(709)**	**(1,930)**	**(8,995)**	**(13,542)**	**(32,447)**
At 31 December 2018	**129,327**	**11,200**	**44,870**	**306,932**	**217,658**	**709,987**
2017						
At 1 January 2017	146,185	12,035	46,150	299,600	253,734	757,704
Additions	278	-	-	-	-	278
(Decrease) increase in fair value during the year (note 21)	(11,274)	(126)	650	16,327	(22,534)	(16,957)
At 31 December 2017	135,189	11,909	46,800	315,927	231,200	741,025

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

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

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

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

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

Measurement of fair value

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

The fair value of investment properties is determined using market based approach, discounted cash flow (DCF) model and cap rate (2017: same). The fair values of the Group's investment properties are categorised into level 3 of the fair value hierarchy. The fair value of the investment properties were determined either (a) by an external, independent property valuer having appropriate recognised professional qualifications and recent experience in the locations and categories of the properties being valued (for DCF valuations) or (b) market based valuations.

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

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

12 INVESTMENT PROPERTIES continued

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

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

13 PROPERTY AND EQUIPMENT

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

	Building AED'000	*Furniture, fixtures and leasehold improvements AED'000*	*Office equipment AED'000*	*Motor vehicles AED'000*	*Capital work in progress AED'000*	*Total AED'000*
2018:						
Cost:						
At 1 January 2018	24,547	40,508	81,168	232	2,166	148,621
Additions	213	1,874	8,993	-	4,101	15,181
Transfers	-	87	5,062	-	(5,149)	-
At 31 December 2018	**24,760**	**42,469**	**95,223**	**232**	**1,118**	**163,802**
Depreciation:						
At 1 January 2018	8,204	36,875	33,547	130	-	78,756
Charge for the year	1,306	1,962	10,119	35	-	13,422
At 31 December 2018	**9,510**	**38,837**	**43,666**	**165**	**-**	**92,178**
Carrying amounts:						
At 31 December 2018	**15,250**	**3,632**	**51,557**	**67**	**1,118**	**71,624**
2017:						
Cost:						
At 1 January 2017	24,547	40,203	58,460	201	21,802	145,213
Additions	-	515	3,158	66	3,534	7,273
Disposals	-	(210)	(3,620)	(35)	-	(3,865)
Transfers	-	-	23,170	-	(23,170)	-
At 31 December 2017	24,547	40,508	81,168	232	2,166	148,621
Depreciation:						
At 1 January 2017	6,912	32,995	29,307	139	-	69,353
Charge for the year	1,292	4,090	7,857	26	-	13,265
Disposal for the year	-	(210)	(3,617)	(35)	-	(3,862)
At 31 December 2017	8,204	36,875	33,547	130	-	78,756
Carrying amounts:						
At 31 December 2017	16,343	3,633	47,621	102	2,166	69,865

14 SHARE CAPITAL

	2018 ***AED'000***	*2017* *AED'000*
Authorised		
375,000,000 ordinary shares of AED 1 each (2017: 375,000,000 ordinary shares of AED 1 each)	**375,000**	375,000
Issued and fully paid		
375,000,000 ordinary shares of AED 1 each (2017: 375,000,000 ordinary shares of AED 1 each)	**375,000**	375,000

15 LEGAL RESERVE

In accordance with the Federal Law No. (2) of 2015 Concerning the Commercial Companies and the Company's Articles of Association, 10% of net profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution. Since the Company reached the 50% limit, no transfer has been made during the year.

16 GENERAL RESERVE

Transfers to and from the general reserve are made at the discretion of the Board of Directors and the approval of the General Assembly. This reserve may be used for such purposes as the Directors deem fit. During the year, the Board of Directors proposed a transfer of AED 100,000 thousand (2017: AED 200,000 thousand) from retained earnings to general reserve, which was approved in the Annual General Assembly held on 19 March 2018 (2017: 28 March 2017).

17 RETAINED EARNINGS

The Board of Directors propose, subject to the approval of the Annual Ordinary General Assembly, a cash dividend in respect of the year 2018 of AED 0.30 per share.

At the Annual General Assembly held on 19 March 2018 (2017: 28 March 2017 relating to the results of 2016), the Shareholders approved the distribution of cash dividends relating to the results of 2017 of AED 0.25 per share amounting to AED 93,750 thousand (2017: AED 0.15 per share amounting to AED 56,250 thousand).

At the Annual General Assemble held on 19 March 2018, the Shareholders approved board of directors' remuneration relating to the results of 2017 amounting to AED 5,800 thousand (2017: AED 5,800 thousand relating to the results of 2016).

18 MANDATORY CONVERTIBLE BONDS

During 2016, the Group issued mandatory convertible bonds with a nominal value amounting to AED 390,000 thousand that are convertible into new ordinary shares at the end of the third year from the date of issue, being 15 June 2016, at the rate of AED 2 per share. The bonds bear interest at a fixed rate of 7.5% per annum, payable annually in arrears, commencing on 15 June 2017 until the conversion date.

The issue of mandatory convertible bonds was approved in the Annual General Assembly of the Company on 15 February 2016.

The proceeds received from the issuance of mandatory convertible bonds have been split between a liability component arising from present value of contractual interest payments and an equity component, representing the residual value attributable to the future delivery of the ordinary shares of the Company.

Reconciliation between the amounts presented in the consolidated statement of financial position is as follows:

	Liability component AED '000	*Equity component AED '000*	*Prepaid transaction costs AED '000*	*Total AED '000*
2018				
Balance at 1 January 2018	**54,788**	**305,925**	**(267)**	**360,446**
Accretion expense	**2,422**	**-**	**-**	**2,422**
Interest paid during the year	**(29,250)**	**-**	**-**	**(29,250)**
Amortisation of transaction costs	**-**	**-**	**183**	**183**
Balance at 31 December 2018	**27,960**	**305,925**	**(84)**	**333,801**
2017				
Balance at 1 January 2017	82,544	305,925	(450)	388,019
Accretion expense	1,494	-	-	1,494
Interest paid during the year	(29,250)	-	-	(29,250)
Amortisation of transaction costs	-	-	183	183
Balance at 31 December 2017	54,788	305,925	(267)	360,446

Liability component of mandatory convertible bonds is analysed in the statement of financial position as follows:

	2018 AED'000	*2017 AED'000*
Current	**27,960**	28,376
Non-current	**-**	26,412
Total	**27,960**	54,788

19 PROVISION FOR STAFF END OF SERVICE BENEFITS

	2018 *AED'000*	*2017* *AED'000*
Balance at 1 January	**30,919**	31,204
Charge for the year	**4,200**	4,368
Paid during the year	**(3,519)**	(4,653)
Balance at 31 December	**31,600**	30,919

20 TRADE AND OTHER PAYABLES

	2018 *AED'000*	*2017* *AED'000*
Trade accounts payable	**819,743**	566,527
Other payables:		
Accrued expenses	**41,552**	35,232
Deferred commission income	**83,618**	58,055
Deferred income	**51,072**	68,376
Other accounts payable	**134,890**	25,308
Total other payables	**311,132**	186,971
Total trade and other payables	**1,130,875**	753,498

21 NET INVESTMENT AND OTHER INCOME

	2018 *AED'000*	*2017* *AED'000*
Net rental income	**37,157**	39,441
Dividend income	**65,951**	57,369
Net interest income on bank deposits and bonds	**41,294**	34,039
Change in fair value of investments carried at fair value through profit or loss (note 11)	**(6,960)**	8,112
Gain on disposal of investment at amortised cost	**143**	-
Gain on disposal of investment carried at fair value through profit or loss	**38**	-
Decrease in fair value of investment properties (note 12)	**(32,447)**	(16,957)
Other expenses	**(9,298)**	(7,772)
Net investment and other income	**58,721**	74,791
	95,878	114,232

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2018 **AED'000**	2017 AED'000
Salaries and other benefits	**165,157**	149,956
Impairment (reversal of) of receivables, net (note 8)	**3,027**	(20,469)
Depreciation charge (note 13)	**13,422**	13,265
Advertisement	**4,462**	4,835
Social contribution (note 28)	**1,177**	4,000
Rent	**5,713**	5,327
Communication and office supplies	**6,206**	6,181
Others	**30,568**	27,869
	229,732	190,964

23 BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bond

Diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bonds.

	2018 **AED'000**	2017 AED'000
Profit for the year used for basic earnings per share	**235,644**	227,280
Accretion recognised during the year on mandatory convertible bonds	**2,422**	1,494
Profit for the year used for calculating basic and diluted earnings per share	**238,066**	228,774
Ordinary shares in issue throughout the year	**375,000**	375,000
Effect of conversion of mandatory convertible bonds	**195,000**	195,000
Weighted average number of ordinary shares adjusted for the effect of mandatory convertible bonds used for calculating basic and diluted earnings per share	**570,000**	570,000
Basic and diluted earnings per share (AED)	**0.42**	0.40

24 RELATED PARTIES

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

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

Balances
Balances with related parties at the reporting date are shown below:

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

	Directors and key management 31 December 2017 AED'000	*Major shareholder 31 December 2017 AED'000*	*Others 31 December 2017 AED'000*	*Total 31 December 2017 AED'000*
Trade and other receivables	325	2	228,004	228,331
Trade and other payables	5	29	19,451	19,485
Cash and bank balances	-	-	408,054	408,054
Investments	-	-	243,305	243,305
Statutory deposits	-	-	10,000	10,000
Insurance contract liabilities	21	1,607	368,170	369,798

24 RELATED PARTIES continued

Transactions

Transactions carried out during the reporting period with related parties are shown below:

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

	Directors and key management 31 December 2017 AED'000	*Major shareholder 31 December 2017 AED'000*	*Others 31 December 2017 AED'000*	*Total 31 December 2017 AED'000*
Premium written	52	3,715	484,481	488,248
Claims incurred	-	2,656	169,358	172,014
Dividend income	-	-	6,724	6,724
Interest income	-	-	12,703	12,703
Directors remuneration	(5,800)	-	-	(5,800)
Other investment income	-	-	200	200

A net amount of AED 905 thousand has been released from provision for impairment against trade and other receivables extended to related parties (2017: release of AED 23,541 thousand). Contingent liabilities issued during the year in favour of related parties amounted to AED 69,956 thousand (2017: AED 53,552 thousand).

Key management personnel remuneration

Key management remuneration is as shown below:

	2018 AED'000	*2017 AED'000*
Salaries and short term benefits	**15,275**	12,995
Staff end of service benefits	**739**	637
	16,014	13,632

25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the year as shown in the cash flow statement can be reconciled to the related items in the consolidated statement of financial position as follows:

	2018 ***AED'000***	*2017* *AED'000*
Cash in hand	**87**	82
Statutory deposit (note 10)	**10,000**	10,000
Deposits / call / current accounts at local UAE banks	**844,548**	695,352
	854,635	705,434
Less: statutory deposit	**(10,000)**	(10,000)
Less: deposits with original maturities of greater than three months	**(507,866)**	(481,930)
Cash and cash equivalents	**336,769**	213,504

Geographical concentration of cash and cash equivalents and deposits with original maturities of three months or more is as follows:

	2018 ***AED'000***	*2017* *AED'000*
Within UAE	**832,599**	684,282
Outside UAE	**22,036**	21,152
	854,635	705,434

Fixed deposits and call accounts with banks carry interest rates of 2% to 4% (2018: 0.85% to 3%) per annum.

26 SEGMENT INFORMATION

The Group is organized into two main business segments:

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

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

26 SEGMENT INFORMATION

	Commercial		Consumer		Total	
	2018 **AED'000**	*2017* *AED'000*	**2018** **AED'000**	*2017* *AED'000*	**2018** **AED'000**	*2017* *AED'000*
Gross written premium	**1,473,533**	1,358,666	**1,435,938**	1,284,631	**2,909,471**	2,643,297
Less: reinsurance premium ceded	**(1,142,232)**	(959,888)	**(425,015)**	(451,008)	**(1,567,247)**	(1,410,896)
Net written premium	**331,301**	398,778	**1,010,923**	833,623	**1,342,224**	1,232,401
Net change in unearned premium reserves	**49,475**	(25,008)	**38,614**	(169,865)	**88,089**	(194,873)
Net premium earned	**380,776**	373,770	**1,049,537**	663,758	**1,430,313**	1,037,528
Gross claims paid	**(709,636)**	(903,428)	**(1,006,852)**	(753,323)	**(1,716,488)**	(1,656,751)
Less: reinsurance share of claims paid	**500,024**	690,569	**258,415**	333,617	**758,439**	1,024,186
Net claims paid	**(209,612)**	(212,859)	**(748,437)**	(419,706)	**(958,049)**	(632,565)
Net change in outstanding claims, ALAE/ULAE and IBNR	**(7,627)**	(42,174)	**(62,510)**	(31,128)	**(70,137)**	(73,302)
Net claims incurred	**(217,239)**	(255,033)	**(810,947)**	(450,834)	**(1,028,186)**	(705,867)
Gross commission income	**105,113**	102,663	**45,800**	49,390	**150,913**	152,053
Less: commission expenses incurred	**(100,932)**	(110,320)	**(43,342)**	(33,197)	**(144,274)**	(143,517)
Net commissions income (expenses)	**4,181**	(7,657)	**2,458**	16,193	**6,639**	8,536
Other underwriting income	**5,899**	4,656	**3,917**	3,924	**9,816**	8,580
Less: other underwriting expenses	**(16,296)**	(23,252)	**(32,788)**	(21,513)	**(49,084)**	(44,765)
Net other underwriting expenses	**(10,397)**	(18,596)	**(28,871)**	(17,589)	**(39,268)**	(36,185)
Net underwriting results	**157,321**	92,484	**212,177**	211,528	**369,498**	304,012
Net investment and other income					**95,878**	114,232
General and administrative expenses					**(229,732)**	(190,964)
Profit for the year					**235,644**	227,280

Assets and liabilities of the Group are commonly used across the segments. There were no transactions between the segments.

27 CONTINGENT LIABILITIES AND COMMITMENTS

Legal claims

The Group, in common with the majority of insurers, is subject to claims and litigation in the normal course of its business. Based on advice from internal claims department and independent legal advice, the management records provision representing best estimate of probable outflow of economic resources

Contingent liabilities and commitments

	2018 *AED'000*	*2017* *AED'000*
Commitments in respect of uncalled subscription of equities held as investments.	**99,118**	67,824
Bank guarantees	**160,139**	123,933
Letters of credit	**386**	386

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

28 SOCIAL CONTRIBUTIONS

The social contributions (including donations and charity) made during the year amount to AED 1,177 thousand (2017: 4,000 thousand) which were approved by the Board of Directors.