ANNUAL REPORT 2017

ADNIC

شركة أبوظبي الوطنية للتأمين

ABU DHABI NATIONAL INSURANCE COMPANY

ANNUAL REPORT 2017

I had many dreams.
I dreamt of our land keeping pace with the growth of the modern world.

The Late
Sheikh Zayed bin Sultan Al Nahyan
The Founding Father of the United Arab Emirates

THE LATE SHEIKH ZAYED
BIN SULTAN AL NAHYAN
THE FOUNDING FATHER OF THE UNITED ARAB EMIRATES

HIS HIGHNESS SHEIKH KHALIFA
BIN ZAYED AL NAHYAN
PRESIDENT OF THE UNITED ARAB EMIRATES AND RULER OF ABU DHABI

HIS HIGHNESS SHEIKH MOHAMMED
BIN RASHID AL MAKTOUM
VICE PRESIDENT AND PRIME MINISTER OF THE UAE
AND RULER OF DUBAI

HIS HIGHNESS SHEIKH MOHAMED
BIN ZAYED AL NAHYAN
CROWN PRINCE OF ABU DHABI
AND DEPUTY SUPREME COMMANDER OF THE UAE ARMED FORCES

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DESIGN CONCEPT – THE YEAR OF ZAYED

His Highness was always a man who resonated positivity and warmth. He carried this in his journeys and radiated it across to all those he met. This then carried from people to culture, culture to community, community to nation, encompassing all – both local and expatriate.

To celebrate this notion and carry the overall concept of **radiation** for **positivity** forward, we took the overarching idea and theme of arabesque ornaments and steered it in such a way that the geometric patterns would correlate closer to the UAE and its culture.

What was most valued about him above all else was his vision. He had **high standards** and **high expectation**s for the country, and sought the same for his people. To celebrate 2018 and commemorate 'The Year of Zayed', we decided to implement his most valued achievement – the **United Arab Emirates**.

By taking a simple illustration of the UAE, we simplified it and rotated it to resemble a geometric arabesque-like pattern. Creating such a symbol allows us to correlate this to Sheikh Zayed's radiation for positivity.

OUR GEOGRAPHICAL EXPANSION

United Arab Emirates

- Head Office
- Branches
- Sales and Services Centers

United Kingdom

- Subsidiary Company

THE BOARD OF DIRECTORS

Sheikh Mohamed Bin Saif Al-Nahyan
Chairman

Sheikh Theyab Bin Tahnoon Al-Nahyan
Vice Chairman

H.E. Sultan Rashed Al-Dhaheri
Board Member

Mr. Abdulla Khalaf Al-Otaiba
Board Member

Mr. Omar Liaqat
Board Member

Mr. Jamal Sultan Al-Hameli
Board Member

Mr. Abdulrahman Hamad Al-Mubarak
Board Member

Mr. Hazza Mohamed Rubayea Al-Mheiri
Board Member

Mr. Hamoodah Ghanem Bin Hamoodah
Board Member

A MESSAGE FROM THE CHAIRMAN OF THE BOARD

On behalf of the Board of Directors of Abu Dhabi National Insurance Company (ADNIC), I would like to present our 45th Financial Results together with the Audited Consolidated Financial Statements for the year ended 31st December 2017.

The Board of Directors is delighted to announce that ADNIC has reported throughout the year 2017 strong underwriting results and profitability. ADNIC's positive full year results reflect the successful delivery of the company's strategy.

Despite a challenging business environment, ADNIC's Board of Directors, as well as the management team, remain committed to driving standards of excellence and to delivering sustainable growth in profitability. Our priority is to ensure that ADNIC is positioned amongst the regional market leaders by leveraging on our innovative capabilities and differentiated offering.

Cash Balances

ADNIC's cash balances stood at AED 705.4 million as at 31st December 2017, compared to AED 1.03 billion as at 31st December 2016. This is on account of reallocation to other asset classes as per ADNIC's asset allocation framework.

Investments

Total investments including cash in time deposits, bank accounts and investment properties increased by 8.0% to AED 3.39 billion as at 31st December 2017, compared to AED 3.14 billion as at 31st December 2016.

Total Assets

The total assets increased by 3.2% to AED 6.70 billion as at 31st December 2017, compared to AED 6.49 billion as at 31st December 2016.

Gross Technical Reserves

The Gross Technical Reserves increased by 5.5% to AED 3.88 billion as at 31st December 2017, compared to AED 3.68 billion as at 31st December 2016.

Shareholders' Equity

The Shareholders' Equity position increased by 11.9% to AED 1.98 billion as at 31st December 2017, compared to AED 1.77 billion as at 31st December 2016.

Basic and Diluted Earnings Per Share and Net Profit

Basic and diluted earnings per share increased by 11% to AED 0.40 as a result of achieving a net profit of AED 227.3 million for the year 2017 compared to basic and diluted earnings per share of AED 0.36 resulting from a net profit of AED 205.0 million last year.

On behalf of the Board, I wish to extend our most sincere appreciation and gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, 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

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

It is with great pleasure that I present the financial results for the year ending 31 December 2017.

I am pleased to report that ADNIC has achieved strong results in 2017. While ADNIC has taken a conservative approach in its underwriting strategy, the company achieved premium growth for the year and also has strengthened its long term financial and operational performance.

Key Financial Highlights

Gross Written Premium
For the year 2017, ADNIC's Gross Written Premium increased by 11.3% to AED 2.64 billion compared to AED 2.38 billion for 2016.

Premium Retention
The overall premium retention ratio reached 47% for the year 2017 compared to 44% for 2016.

Net Underwriting Income
For the year 2017, ADNIC Net Underwriting profit is AED 304.0 million, against a Net Underwriting Profit of AED 342.6 million for 2016.

General and Administrative Expenses
General and Administrative Expenses for 2017 stood at AED 191.0 million compared to AED 239.9 million for 2016.

Net Technical Profit
Net Technical Profit for the year 2017 increased by 8.7% to AED 118.4 million, against a Net Technical Profit of AED 108.9 million for 2016.

Net Investment Income
ADNIC's Net Investment and Other Income increased by 12% to AED 114.2 million for 2017 compared to AED 102.4 million for 2016.

Net Profit
For the year 2017, Net profit increased by 11% to AED 227.3 million, compared to a Net profit of AED 205.0 million for 2016.

Appreciation
I would like to express my appreciation for our clients and business partners for their loyalty. I would also like to thank ADNIC's Board of Directors and shareholders for their continued support. Finally, I would like to express my gratitude to ADNIC's team for their hardwork and diligence.

Ahmad Idris
Chief Executive Officer

OUR CORPORATE TEAM

EXECUTIVE MANAGEMENT TEAM

Front Row: Left to Right

Yousuf Amin
Executive Vice President – Operations

Mazen Allabadi
Consultant

Raed Haddadin
Executive Vice President – Legal & Compliance

Abdulla Al Nuaimi
Executive Vice President – Shared Services

Alaa Fares
Executive Vice President – Finance

Tariq Zietoun
Executive Vice President – Underwriting & Strategic Accounts Management

Andrew Woodward
Executive Vice President – Business Development

Lazhar Charfeddine
Executive Vice President – Claims, Reinsurance, and Engineering Services

Back Row: Left to Right

Hema Padmanabhan
Senior Vice President – Commercial Lines Claims (Non Marine)

Anil Dixit
Senior Vice President – Investments

Hany Baher
Senior Vice President – Information Technology

Ali Shaukat
Senior Vice President – Risk Management

Joseph Graham
Senior Vice President – Human Resources & Administration

Vijay Singh
Senior Vice President – Commercial Lines Claims (Marine & Aviation)

Osama Altajer
Senior Vice President – Underwriting (Commercial Lines – Marine & Aviation)

Vamshidhar Vanama
Senior Vice President – International Division

Jugal Madaan
Senior Vice President – Underwriting (Commercial Lines – Non Marine)

Paul Hill
Chief Executive Officer –
ADNIC INTERNATIONAL LTD

Vaidyanathan Srinivasan
Senior Vice President – Underwriting (Consumer Lines)

STRATEGIC ACCOUNTS MANAGEMENT (SAM), UNDERWRITING, AND INTERNATIONAL DIVISION

Senior Management Teams

Front Row: Left to Right

Wissam Al-Khaldi
Vice President – Strategic Accounts Management

Gurumurthy Lakshminarayanan
Vice President – Underwriting (Marine Hull & Cargo)

Fatme El-Issa
Senior Manager – Underwriting (Motor)

Syed Ahmed
Senior Manager – Underwriting (Property)

Khalid Rawashdeh
Vice President – Underwriting (Engineering, Construction, Liabilities & Financial Lines)

Back Row: Left to Right

Laeeque Shrieff
Senior Manager – Underwriting (Medical)

Anand Kalandy
Senior Manager – Underwriting (Medical)

Nabil Azzouz
Vice President – Underwriting (Marine & Energy) (International)

Tarek Moukarzel
Vice President – Underwriting (Life, Travel & Personal Accident)

CLAIMS AND ENGINEERING SERVICES

Senior Management Team

Front Row: Left to Right

Sajiv Gopalkrishnan
Vice President – Engineering Services

Smita Srivastava
Vice President – Claims
(Medical, Life, Travel & Personal Accident)

Nehal El Trmesany
Senior Manager – Medical Provider Relations, Life, Travel & Personal Accident Claims

Ashraf Genina
Senior Manager – Motor Claims
(Dubai & Northern Emirates)

Back Row: Left to Right

Haitham Ali
Senior Manager – Motor Claims
(Abu Dhabi & Western Region)

Rami Al Zaben
Senior Manager – Engineering & Liabilities Claims
(Direct)

Krishnan Raghunathan
Senior Manager – Commercial Lines Claims
(Marine & Aviation)

BUSINESS DEVELOPMENT
Senior Management Team

Front Row: Left to Right

Bassam El Jbeili
Vice President – Direct Business

Alya Al Tamimi
Regional Manager – Dubai & Northern Emirates

Jihad Francis
Vice President – Broker Business

Anand Nair
Vice President – Alternative Distribution and E-Commerce

Back Row: Left to Right

Mahmoud Swaidan
Branch Manager – Al Ain

Mohsin Bin Naqib
Branch Manager – Musaffah

Mansour Rahme
Branch Manager – Sharjah

Aditya Kulkarni
Deputy Head – Broker Business (Dubai & Northern Emirates)

SUPPORT SERVICES –

Finance, Investment, Operations and IT Senior Management Teams

Front Row: Left to Right

Esmat Taha
Vice President – Investments & Investor Relations

Mustafa Ahmed
Senior Manager – IT Database Management

Vetrivelan Andigounder
Senior Manager – Customer Service (Operations)

Hashem Shubbar
Vice President – Credit Control & Payables

Ravichandran Nair
Vice President – Accounting, Budgeting & Reporting

C. P. Chakamparambil
Vice President – IT Applications

Back Row: Left to Right

Anishbabu Kanakkayil
Senior Manager – Infrastructure & User Support

Ujjval Thakkar
Senior Manager – E-Commerce

Firas El Khatib
Senior Manager – IT Program Management

Mohanad Kattan
Senior Manager – IT Infrastructure

Prabhatha Bellikoth
Senior Manager – IT Applications

SUPPORT SERVICES –
HR, Admin, Legal, Marketing, Corporate Communications, Reinsurance and Actuarial Services Senior Management Teams

Front Row: Left to Right

Nadhmi Dammak
Vice President – Reinsurance

Bushra Al Wazzan
Senior Manager – Administration

Mohamed Bin Naqib
Senior Manager – Public Relations

Hassan Al Khuwaildi
Senior Manager – Corporate Communications

Dana Hudairi
Senior Manager – Marketing

Back Row: Left to Right

Omar Khedr
Senior Manager – Legal

Manoj Khemani
Vice President – Human Resources

Khurram Masud
Vice President – Actuarial Services

Amjad Alhayek
Senior Manager – Legal

Muhammad Zafar
Senior Manager – Actuarial Services

ABOUT US

Founded in the United Arab Emirates (UAE) in 1972, Abu Dhabi National Insurance Company (ADNIC) PJSC is a leading multi-line regional insurance company providing insurance services to individuals and corporates.

The Company has a wide network of branches, and sales and service centers across the country. ADNIC is publicly owned and listed on the Abu Dhabi Securities Exchange (ADX).

ADNIC transacts both Life and Non-Life Insurance and provides a range of innovative insurance products that are customizable and scalable. This flexibility enables the Company to meet the unique needs of individuals, as well as small, mid-sized and large companies in the UAE and the wider Middle East and North Africa (MENA) region.

ADNIC is committed to making a positive contribution to the communities within which it operates. Since 2013, ADNIC has been supporting Al Bayt Mitwahid Association, which was launched by the Crown Prince Court of Abu Dhabi, H.H. Sheikh Mohamed Bin Zayed Al Nahyan. The Association provides an open platform for UAE communities to give back to society in a number of ways. This can include taking part in creating, fundraising, planning, and implementing a variety of caring initiatives that benefit a wide range of social causes across all of the seven Emirates.

ADNIC is proud to work with the government to encourage UAE nationals to work in the private sector. In 2012, ADNIC joined the UAE Government's ABSHER Initiative to promote Emiratization. The Company's current level of Emiratization is amongst the highest in the UAE insurance sector.

ADNIC has worked to build its asset base up to AED 6.7 billion in 2017, while maintaining solid levels of liquidity and capitalization. Financial maturity and a robust balance sheet enables the Company to meet its obligations and this reliability helps to provide ADNIC's clients and customers with peace of mind.

In October 2016, ADNIC transitioned to the revised ISO standard ISO 9001/2015 and has received a number of industry awards. These include the Corporate LiveWire Innovation and Excellence Award in 2015 and 2017; Best Insurance Company 2017, Best Business Product 2016, and Best Consumer Insurance Product 2015 from Banker Middle East Industry Awards; MEA Risk Insurance Excellence Award 2016, and Best Mobile Experience at the Customer Festival Awards 2015 among many others.

OUR MISSION & VISION

Our Mission

To serve our customers by offering quality and innovative, regional, and international insurance and reinsurance solutions.

Our Vision

To be the leading insurer of choice across the Middle East and North Africa region.

OUR CORE VALUES

We pride ourselves in continuously operating in line with our corporate core values when we interact with our shareholders, partners, clients, and employees. These values are integral to the way we do business and communicate with our stakeholders:

- Reliability
- Innovation
- Fairness
- Customer Centricity
- Loyalty

OUR STRATEGIC PILLARS

At the foundation of our business strategy lies seven strategic pillars, which help us maintain our commitment to be Your Reliable Insurer.

- Modernization of our processes, facilities, and infrastructure
- Expansion of our suite of products and services
- Employer of Choice within the insurance industry
- Product Development to ensure solutions are created to address your evolving business needs
- Distribution of our products and services wherever you are
- Customer Service to ensure that each interaction with you is effective
- Innovation & Technology to ensure solutions are offered efficiently

OUR GLOBAL & REGIONAL RECOGNITION

Corporate LiveWire Awards

- Innovation in Corporate Insurance Solutions 2017
- Innovation and Excellence Award 2015

Banker Middle East Industry Awards

- Best Insurance Company 2017
- Best Business Insurance Product – Property Insurance 2016
- Best Consumer Insurance Product 2015

MEA Risk and Insurance Excellence Awards

- MEA Insurers Claims Initiative of the Year 2016
- MEA Insurers CEO's CEO 2016

Etisalat Strategic Award – Supplier's Conference, 2016

In recognition of ADNIC's valuable contribution to the success of Etisalat

Best Insurance Firm – Shiptek Awards

ADNIC awarded Best Insurance Firm of the Year 2016 at Shiptek 7th International Awards for the company's excellence in maritime & energy insurance

Customer Festival Award

Best Mobile Experience for the Year 2015

ENOC Strategic Supplier's Recognition Award

Emirates National Oil Company (ENOC) Recognition Award in appreciation of the valuable contribution to the business during 2015

Forbes Middle East, Top 500 companies in the Arab World

ADNIC ranked 3rd out of 31 companies in the insurance sector

OUR CORPORATE GOVERNANCE

ADNIC acknowledges its responsibilities to its shareholders, employees, partners, and customers in the UAE. ADNIC also believes that good corporate governance helps to achieve the Management's commitment of delivering value to all stakeholders through setting and achieving appropriate strategic business objectives.

ADNIC maintains a high level of transparency and accountability throughout its Management practices. We believe we have this responsibility to our shareholders and the community collectively. To this end, ADNIC implements and monitors business objectives, strategies, and procedures that comply with its legal and ethical responsibilities. This is how we embed good corporate governance principles and practices into the way we do business.

The Board has established four permanent Board-level Committees to assist in executing its functions, empowered, and entrusted with responsibilities to implement the resolutions of the Board.

AUDIT COMMITTEE

The Audit Committee aims at assisting the Board of Directors in monitoring the duties related to the following:

Financial Reporting

1. Review with the management and the external auditors all significant matters on the quarterly and year-end financial statements and recommend its adoption by the Board.
2. Monitor compliance with financial reporting standards and regulatory requirements.
3. Review the Company's financial and accounting policies and procedures.
4. Review significant accounting and reporting issues, including:
   - Changes in accounting policies;
   - Significant adjustments resulting from the audit;
   - Ongoing concerns;
   - Adherence to accounting criteria set by Emirates Securities and Commodities Authority "SCA";
   - Adherence to listing and disclosure rules and other financial reporting legal requirements; and
   - Complex or unusual transactions or highly judgmental areas.
5. Review any management letter from the external auditors and ensure corrective action by the Executive Management.
6. Discuss significant issues as well as difficulties encountered in the interim or final audits.

Risk Management

Review the effectiveness of ADNIC's risk management framework, assessment, and responses to key business risks.

External Audit

1. Oversee and make recommendations on the appointment of external auditors to the Board, their fees, and any questions relating to their resignation or removal.
2. Develop and apply a policy for contracting with external auditors to provide audit and non-audit services and make a report to the Board of Directors to set forth the issues in respect of which an action shall be adopted together with recommendations on necessary to-be-adopted steps.
3. Evaluate on an annual basis the external auditor qualifications, performance, and independence. In performing this evaluation, the committee will at least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company.
4. Review the extent of non-audit services provided by the external auditors in relation to the objectivity and independence needed in the conduct of the audit, and make such recommendations on these matters to the Board as the Committee sees fit.
5. Review the mission and action plan of the external auditor and any material inquiries raised by the auditor to the management in respect of accounting records, financial accounts, or control systems, respond thereto and approve the same.
6. Discuss with ADNIC's external auditor any audit problems or difficulties encountered during the audit and assess management's response relating to:
   - Restrictions on the scope of the external auditor activities;
   - Restrictions on the external auditor's access to requested materials;
   - Significant disagreements with management;
   - Material audit differences that the external auditor noted or proposed but for which the Company's financial statements were not adjusted.
   - Coordinate with the Board, Executive Management and the Chief Financial Officer to meet with the external auditors at each reporting period.

Internal Controls

1. Review and approve plans, budget, staffing, and organizational structure of the Internal Controls function and related Internal Controls activities.
2. Approve the appointment or the removal of the Head of Internal Controls.
3. Review all reports submitted to the Committee by the Internal Controls Department and Executive Managements' responses to such reports.
4. Evaluate the performance of the Internal Controls Department.
5. On a regular basis, meet separately with the Head of Internal Controls to discuss any matters that the committee or Internal Controls believes should be discussed privately.
6. Review the effectiveness of Internal Controls activities and compliance with Ministerial Resolution No. (518) of 2009 concerning governance rules and corporate discipline standards.
7. Provide the Head of Internal Controls the right of direct access to the Chairman of the Committee and to the Committee.
8. Review the effectiveness of ADNIC's Internal Controls systems, including information systems, and technology security and control.
9. Ensure an annual review of the Internal Controls system is performed to determine the overall adequacy and effectiveness of ADNIC's Internal Controls system.
10. Discuss the Internal Controls system with the Executive Management to ensure the latter's performance of its duties towards the development of an efficient Internal Controls system.
11. Discuss ADNIC's policies and procedures (P&P) with the Executive Management to ensure the latter's performance of its duties towards the development of P&Ps.

Internal Audit

1. Review with management and the Head of Internal Controls the charter, plans, activities, staffing, and organizational structure of the internal audit process.
2. Approve the appointment or the removal of the internal audit service provider.

3. Review all reports submitted to the Committee by the internal audit service provider and Executive Managements' responses to such reports.
4. Evaluate the performance of the outsourced internal audit service provider.
5. Review the effectiveness of internal audit activities, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
6. Provide the internal audit service provider the right of direct access to the Chairman of the Committee and to the Committee.
7. Meet with the internal audit service provider in private at least once a year to ensure that there are no unresolved issues of concern.

Compliance

1. Investigate any matters pertaining to the integrity of management including fraud, conflict of interest, or adherence to the CBC as required by ADNIC's policy.

The Committee holds its meetings at least once every three months or whenever it deems necessary. The Audit Committee comprises the following members:

- Mr. Omar Liaqat – Chairman
- Mr. Jamal Sultan Al-Hameli – Member
- Mr. Hamoodah Ghanem Bin Hamoodah – Member
- Mr. Abdelhamid Elewa – Committee Secretary

NOMINATION & REMUNERATION COMMITTEE

Abu Dhabi National Insurance Company "ADNIC" through its Board of Directors has established the Nomination & Remuneration Committee "NRC".

The NRC assists the Board of Directors in fulfilling its duties with regards to strategic human resources issues and in ensuring that human resources strategies, programs, and policies effectively integrate and align with ADNIC's mission and business objectives.

The NRC provides direction and aligns the interest of the management with that of the shareholders in matters related to ADNIC's human resources and human resources function. It also ensures an effective framework for governance, compliance, and risk management is implemented within the human resources function to support ADNIC's desire to be the "Employer of Choice" in the UAE Insurance Sector.

The Nomination & Remuneration Committee comprises the following members:

- Mr. Jamal Sultan Al-Hameli – Chairman
- Mr. Hamoodah Ghanem Bin Hamoodah – Member
- Mr. Abdulla Khalaf Al-Otaiba – Member
- Mr. Joseph Graham – Committee Secretary

INVESTMENT COMMITTEE

The Investment Committee assists the Board of Directors in supervising, monitoring, and evaluating the Company's investments. The Investment Committee performs its duties efficiently and in the best interest of the Company's shareholders through the following:

1. Establishing the Investment Strategy and Policy for approval of the Board.
2. Setting the investment guidelines including asset allocation, benchmark and other metrics deemed necessary.
3. Reviewing and monitoring the investments.
4. In conjunction with the Audit Committee, determining the scope of the rigorous audit procedures that include full coverage of the investment activities and ensure timely identification of internal control weaknesses and operating system deficiencies.
5. Assisting the Board of Directors in its evaluation of the adequacy and efficiency of the investment policies, procedures, practices, and controls applied in the day-to-day management of its business through an audit report (either independent internal or external) that is to be submitted to the Audit Committee.
6. Proposing a delegation of authority document relating to investment activities.
7. Appointing and retaining external consultants, industry experts and investment managers in order to perform specific investment-related activities, and agree fees for said services.
8. Exercising oversight on strategic investment activities related to capital utilization including but not limited to regional expansion.

The Investment Committee comprises the following members:

- Sheikh Theyab Bin Tahnoon Al-Nahyan – Chairman
- Mr. Abdulrahman Hamad Al-Mubarak – Member
- Mr. Hazzaa Mohamed Rubayea Al-Mheiri – Member
- Mr. David Beau – External Member
- Mr. Esmat Taha – Committee Secretary

RISK MANAGEMENT COMMITTEE

The Risk Management Committee assists the Board in providing leadership, direction, and oversight of the Company's overall risk appetite, risk tolerance, and risk management frameworks. The duties of the Risk Management Committee include, but are not limited to, the following:

1. Recommend the risk profile and risk appetite across the Company.
2. Review and robustly assess the design, completeness, and effectiveness of the risk management framework relative to the Company's activities.
3. Provide independent and objective review, advice, and assistance in developing Board policies and monitoring corporate activity.

The Committee meets regularly and discusses matters related to risk profile of the Company and provides recommendations to the Board.

The Risk Management Committee comprises the following members:

- Sheikh Mohamed Bin Saif Al-Nahyan – Chairman
- H.E. Sultan Rashed Al-Dhaheri – Member
- Mr. Abdulla Khalaf Al-Otaiba – Member
- Mr. Omar Liaqat – Member
- Mr. Abdulrahman Hamad Al-Mubarak – Member
- Mr. Khurram Masud – Committee Secretary

OUR CORPORATE COMMITMENT

OUR CORPORATE COMMITMENT TO THE COMMUNITY

Our corporate philosophy embraces a commitment to improving the quality of life in the community. At ADNIC, we always seek to play a vital role as a major employer and significant contributor to local charities.

During 2017, we contributed and participated in several community events across the UAE.

Sandooq Al Watan
Supporting the fund financially and providing different insurance coverage for free.

ABSHER Initiative
Supporting the initiative that was launched by the Ministry of Presidential Affairs (MOPA), which aims to support and encourage Emiratis working in the private sector by offering distinctive offers. ADNIC has been providing discounted rates and packages on certain products since 2012.

UAE Genetic Disease Association (GDA)
Supporting the Association's research center, a fully licensed genetic laboratory that offers screening and diagnostic services.

Al Bayt Mitwahid Association
Supporting an initiative launched by the Crown Prince Court of Abu Dhabi in 2013 to celebrate and promote the nation's unity. The Association provides an open platform for the UAE community to give back to the society in a number of ways.

Blood Donation Day
ADNIC staff donating blood to the Blood Bank.

Sandooq Al Watan

ABSHER Initiative

UAE GDA

Al Bayt Mitwahid

Blood Donation Day

Mohammed Bin Rashid Al Maktoum Knowledge Foundation

- Supporting the Foundation's 'Nobel Museum' in physics.
- Supporting "Bel Arabi" initiative to enhance the Arabic language and position it among the international languages.

Happiness Imprint (Happiness Bus)

Supporting the organization's initiative that aims at distributing giveaways and clothes to the targeted groups.

Beit Al Khair Society

Supporting the needy families that are listed within the association's records during Ramadan.

Al Quds University

Supporting the annual event for the University.

UAE Armed Forces (Homat Al Watan)

Supporting the UAE Armed Forces and Ministry of Defense by providing special discounts for 'Homat Al Watan' members.

Al Rawad Center

Supporting the Center by providing 4 wheelchairs for people of determination.

Emirates National Schools

Supporting the second student forum for the school.

Ministry of Interior (Erada Magazine)

Supporting the Ministry of Interior by sponsoring Erada Magazine.

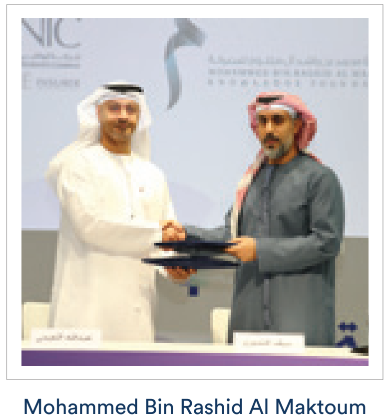
UAE Red Crescent

Supporting the association by sponsoring Al Hilal magazine.

Rashid Center for Disabled

Supporting two people of determination kids' trip to Umra along with their escorts.

Martyr's Day Commemoration



Mohammed Bin Rashid Al Maktoum Knowledge Foundation

OUR WORK-LIFE BALANCE

ADNIC recognizes the importance of balancing work with social life activities. Therefore, we have established a committee, ADNI*City* Life Committee, which seeks to balance our employees' work and social life by engaging them and their families in social activities.

ADNI*City* Life Committee is an approach to employee relations that helps us in our continuous effort to be the Employer of Choice in the insurance industry.

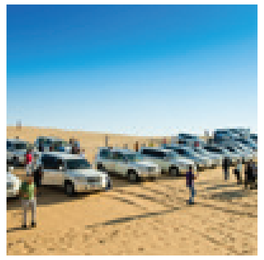
- National Day
- Family Day
- Flag Day
- Ramadan Iftar
- Desert safari
- Go-karting challenge
- Paintball challenge
- Hotel offers
- Regular sport activities (cricket, badminton, basketball and football)
- Indoor cricket fest
- Mother's Day
- Du personal mobile roadshow
- Health and fitness membership offers
- Al-Futtaim watches and jewelry offers
- Emirates NBD offers
- Travel agency offers


National Day


Family Day


Flag Day


Ramadan Iftar


Desert Safari


Indoor Cricket Fest


Go-karting Challenge

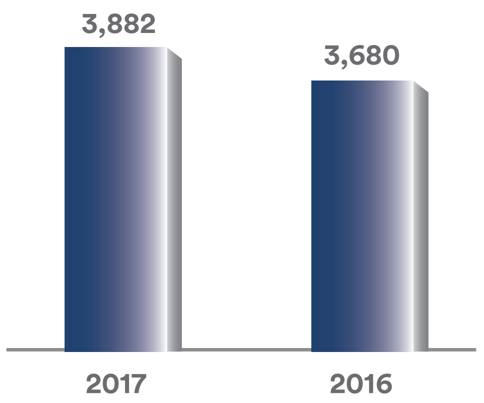

Paintball Challenge

CONSOLIDATED FINANCIAL STATEMENTS

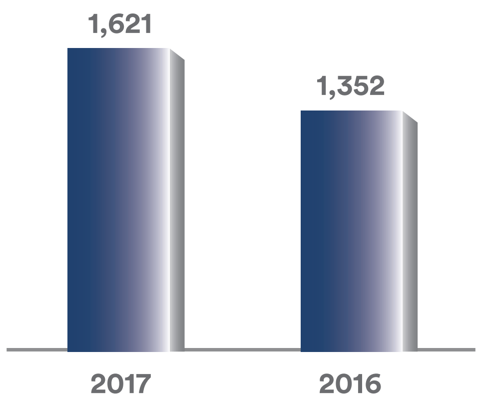
31 DECEMBER 2017

TECHNICAL RESERVES

Gross Technical Reserves (AED mn)

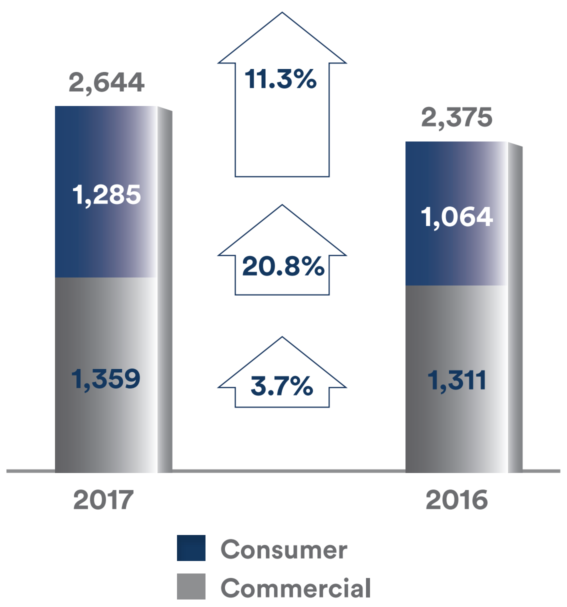


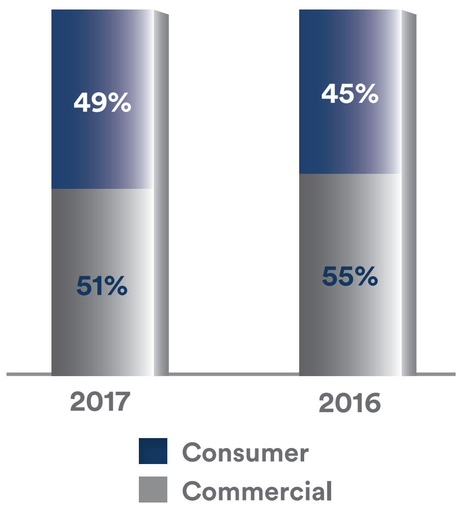
Net Technical Reserves (AED mn)



GROSS WRITTEN PREMIUM

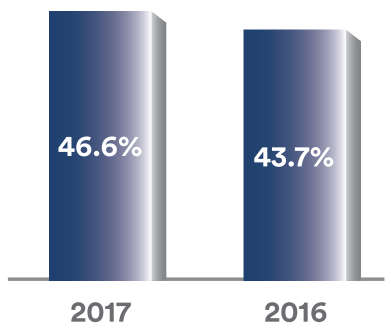
(AED mn)



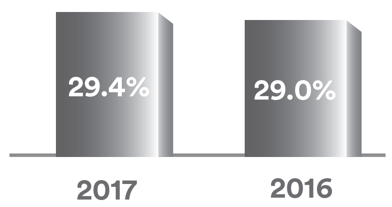


PREMIUM RETENTION RATIO

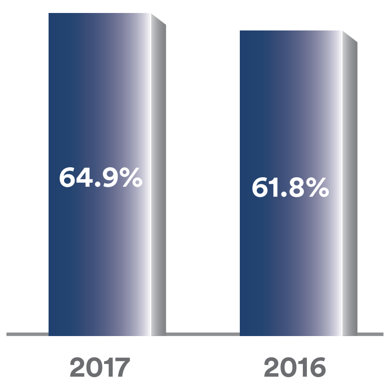
Total Company
+2.9%



Commercial
+0.4%

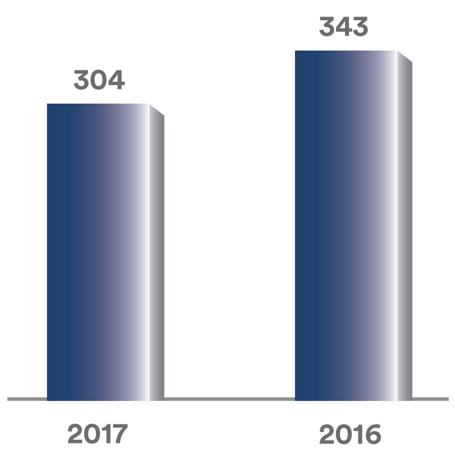


Consumer
+3.1%

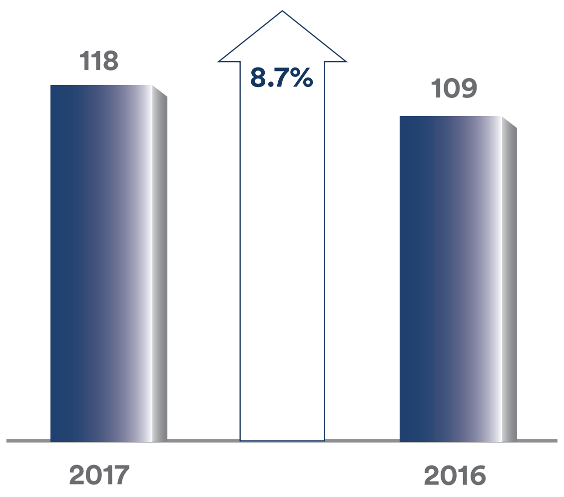


INSURANCE RESULTS

Net underwriting results (AED mn)

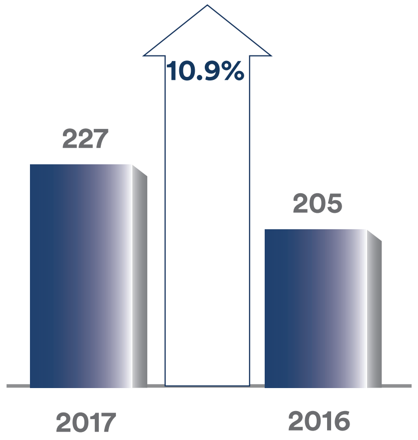


Net technical profit (AED mn)

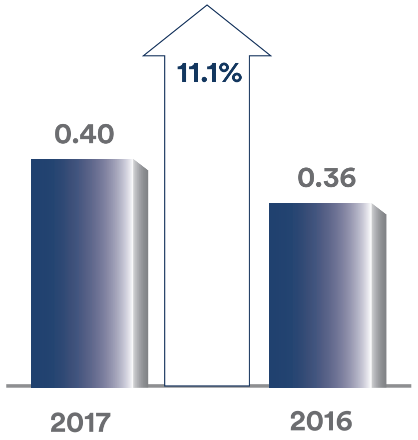


PROFITABILITY

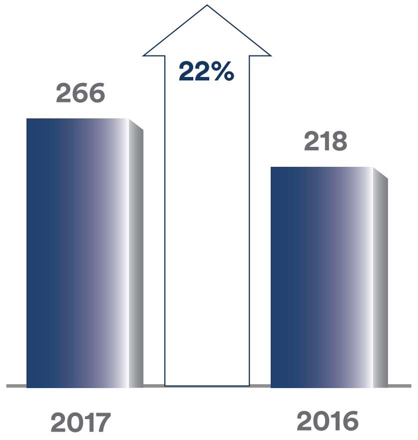
Net Profit (AED mn)



Earnings Per Share (AED)

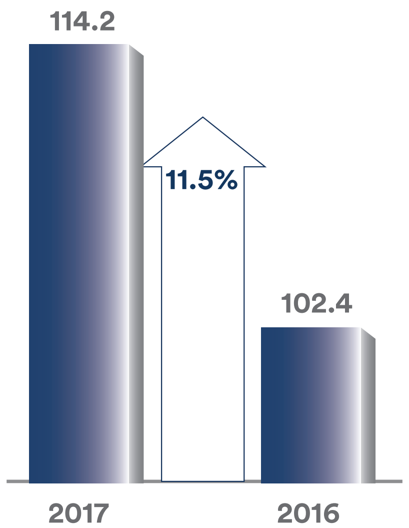


Total Comprehensive Income (AED mn)

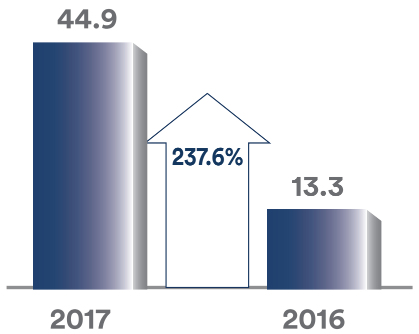


INVESTMENT INCOME

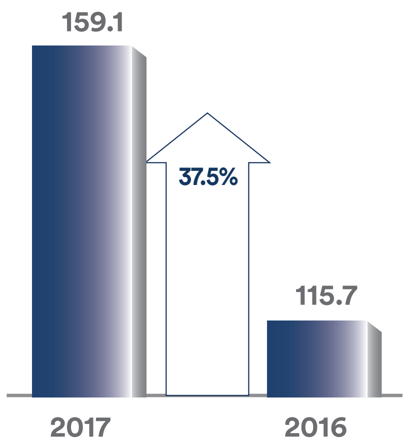
Through Income Statement (AED mn)



Through Other Comprehensive Income (AED mn)

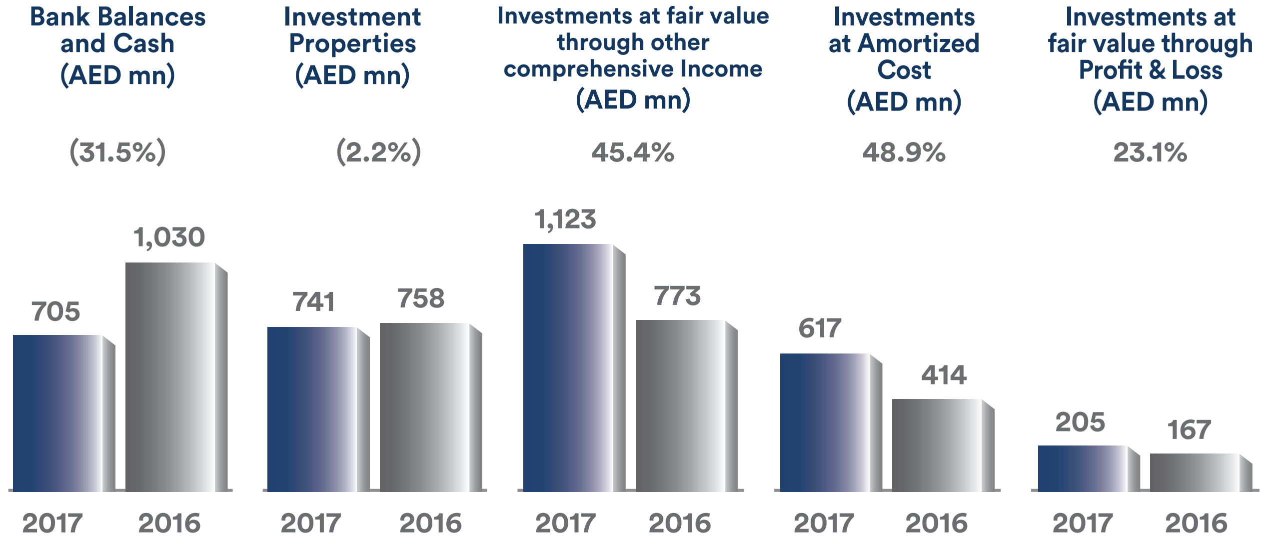


Total (AED mn)

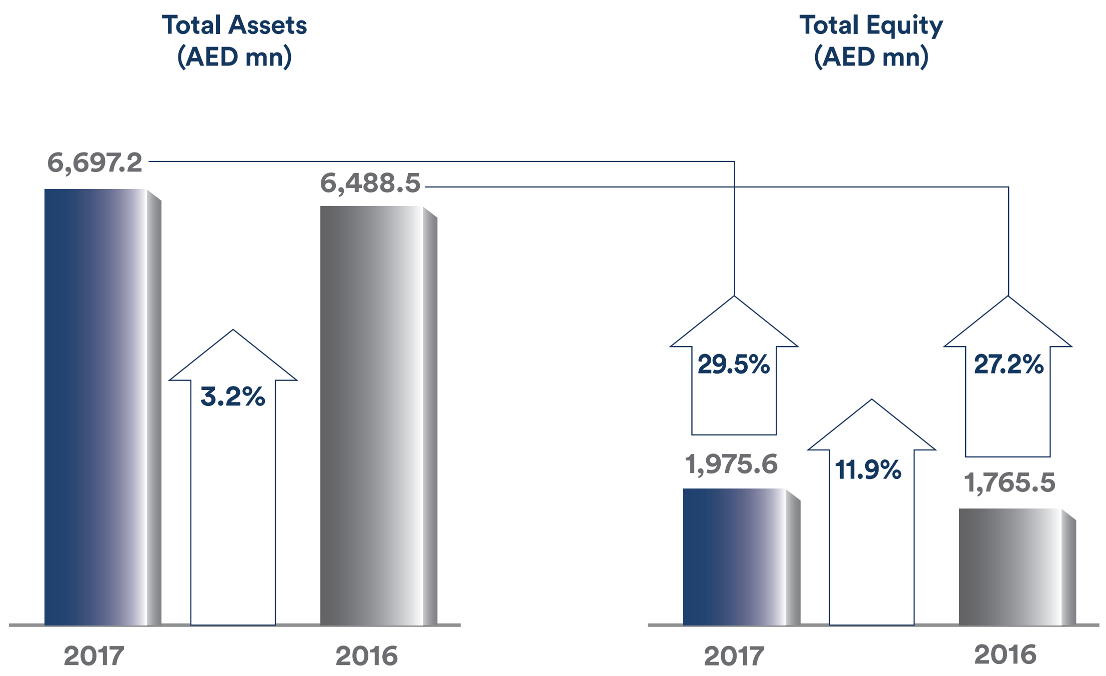


TOTAL INVESTMENT ASSETS

2017: AED 3,392 million
2016: AED 3,141 million
8.0%



FINANCIAL STRENGTH



PROPOSALS TO SHAREHOLDERS

For the year ended 31 December 2017

The Board of Directors, after the review of the Company's operations during the year 2017, proposes the following to the shareholders for their approval:

45th Annual general assembly

(1) To approve the Board of Directors' report about the Company's operation and its financial position and to approve the Auditor's report for the year ended 31 December 2017.
(2) To approve the Balance Sheet and Profit & Loss statements for the year ended 31 December 2017.
(3) To approve the Board of Directors' proposal to appropriate retained profit which amounted to AED 263,983 thousand including the opening retained earnings as follows:

	AED '000
• The proposed cash dividends to the shareholders being 25% of the nominal value per share	93,750
• Proposed Board of Directors' remuneration	5,800
• Proposed to transfer from Retained Earnings to the General Reserve	100,000
• Retained earnings carried forward	64,433
Total	263,983

(4) To relieve the Directors and the External Auditor from responsibilities for action in performing their duties during the financial year ended 31 December 2017.
(5) To appoint the External Auditor for 2018 and to define the audit fees.
(6) Review the recommendation of the Board of Directors to allow for the Company to buy up to 10% of its shared and authorize the Board of Directors to:
   (A) Execute the General Assembly's Resolution during the period approved by the Securities & Commodities Authority to carry out the purchase.
   (B) To reduce the capital of the Company in case the deadline set by the Securities & Commodities Authority for the sale of shares purchased is expired through the cancellation of those shares and amending the capital of the Company in the Articles of Association.

Note:
The above proposals to shareholders were approved during the annual general assembly meeting held on 19th March 2018.

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 2017, 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 2017, 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.

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) Valuation of investment properties (refer to note 12 in the consolidated financial statements)

The valuation of investment properties involves a degree of complexity and significant judgements and estimates. The property valuations were carried out by external valuers (the "Valuers"). In determining a property's valuation, the Valuers take into account property-specific information such as the current tenancy agreements and rental income and apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at valuation.

We read the valuation reports for properties and assessed that the valuation approach for each was in accordance with the established standards for valuation of properties and suitable for use in determining the carrying value for the purpose of the consolidated financial statements.

We assessed the Valuers' 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.

We involved our internal valuation specialists in reviewing the valuation of the properties. The review included discussions with management, and consideration of the estimates and judgements used in Valuer's valuation and assessment of valuation against our expectations. Where the assumptions were outside expected range or otherwise unusual, we obtained further audit evidence to support the explanations provided by management.

(d) Recoverability of insurance receivables from policyholders, 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 899,389 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.

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

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.

(e) Valuation of unquoted investments (refer to note 11 in the consolidated financial statements)

The valuation of unquoted investments involves a degree of significant judgements and estimates due to the lack of availability of observable inputs. These investments amounting to AED 421,522 thousand (note 7) are classified as fair value through profit or loss/fair value through other comprehensive income and are based on the value as determined by the external fund managers.

We obtained confirmation from the external fund manager for the net asset value at the reporting date. For investments, where the confirmation was not available, we performed alternative procedures to assess the fair value determined by the management.

Other information

Other information consists of the information included in the Annual Report, Board of Directors report 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 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.

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.

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

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.
- 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.

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

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.

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' report 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 2017;

(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 2017, 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 2017; and

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

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

13 February 2018
Abu Dhabi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	*2017 AED'000*	*2016 AED'000*
ASSETS			
Property and equipment	13	**69,865**	75,860
Investments at amortized cost	11	**616,853**	414,224
Investments carried at fair value through other comprehensive income	11	**1,123,113**	772,528
Investments carried at fair value through profit or loss	11	**205,399**	166,863
Investment properties	12	**741,025**	757,704
Statutory deposit	10 & 25	**10,000**	10,000
Insurance balances receivable	8	**758,294**	739,589
Reinsurers' share of unearned premium reserve	9	**658,333**	758,644
Reinsurers' share of outstanding claims reserve	9	**1,295,990**	1,205,417
Reinsurers' share of claims incurred but not reported reserve	9	**307,500**	363,200
Prepayments and other receivables	8	**215,417**	204,398
Deposits	25	**481,930**	552,531
Bank balance and cash	25	**213,504**	467,530
TOTAL ASSETS		**6,697,223**	6,488,488
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**375,000**	375,000
Legal reserve	15	**187,500**	187,500
General reserve	16	**750,000**	550,000
Investments revaluation reserve		**93,191**	32,579
Mandatory convertible bonds – equity component	18	**305,925**	305,925
Retained earnings	17	**263,983**	314,477
Total equity		**1,975,599**	1,765,481
LIABILITIES			
Employees' end of service benefits	19	**30,919**	31,204
Other payables	20	**186,971**	304,334
Mandatory convertible bonds – liability component	18	**54,788**	82,544
Trade accounts payable	20	**566,527**	625,243
Technical reserves			
Unearned premium reserve	9	**1,290,973**	1,196,411
Outstanding claims reserve	9	**1,999,346**	1,829,871
Claims incurred but not reported reserve	9	**540,000**	600,600
Allocated and unallocated loss adjustment expense reserve	9	**52,100**	52,800
Total technical reserves		**3,882,419**	3,679,682
TOTAL LIABILITIES		**4,721,624**	4,723,007
TOTAL EQUITY AND LIABILITIES		**6,697,223**	6,488,488

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 2017

	Notes	2017 AED'000	2016 AED'000
Gross premium	26	2,643,297	2,375,475
Reinsurance share of ceded premiums	26	(1,410,896)	(1,337,373)
Net premium		1,232,401	1,038,102
Net change in unearned premium reserve	26	(194,873)	43,537
Net premium earned		1,037,528	1,081,639
Commissions earned	26	152,053	130,754
Commissions incurred	26	(143,517)	(139,146)
Gross underwriting income		1,046,064	1,073,247
Gross claims paid	26	(1,656,751)	(1,440,587)
Reinsurance share of claims paid	26	1,024,186	662,342
Net claims paid		(632,565)	(778,245)
Change in provisions for outstanding claims		(169,475)	(171,456)
Change in reinsurance share of outstanding claims		90,573	212,095
Net decrease in incurred but not reported claims reserves		4,900	74,800
Net decrease (increase) in allocated and unallocated loss adjustment expense reserve		700	(42,005)
Net claims incurred	26	(705,867)	(704,811)
Underwriting income		340,197	368,436
Other underwriting expenses		(36,185)	(25,885)
Net underwriting income		304,012	342,551
Income from investments	21	74,791	60,606
Income from investment properties (rental income)	21	39,441	41,760
Total income		418,244	444,917
General and administrative expenses	22	(190,964)	(239,913)
PROFIT FOR THE YEAR		227,280	205,004
Earnings per share:			
Basic and diluted earnings per share (AED)	23	0.40	0.36

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 2017

	Notes	2017 AED'000	2016 AED'000
Profit for the year		227,280	205,004
Other comprehensive income			
Items that will not be reclassified to the statement of income:			
(Loss) gain on sale of investments carried at fair value through other comprehensive income		(15,724)	22,373
Changes in fair value of investments carried at fair value through other comprehensive income	11	60,612	(9,037)
Directors' remuneration	17	(5,800)	-
Total other comprehensive income		39,088	13,336
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		266,368	218,340

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 2017

	Share capital AED '000	Legal reserve AED '000	General reserve AED '000	Investments revaluation reserve AED '000	Mandatory convertible bond AED '000	Retained earnings AED '000	Total AED '000
Balance at 1 January 2016	375,000	187,500	550,000	41,616	-	87,100	1,241,216
Profit for the year	-	-	-	-	-	205,004	205,004
Other comprehensive (loss) income	-	-	-	(9,037)	-	22,373	13,336
Total comprehensive (loss) income for the year	-	-	-	(9,037)	-	227,377	218,340
Mandatory convertible bonds – equity component (note 18)	-	-	-	-	305,925	-	305,925
Balance at 31 December 2016	375,000	187,500	550,000	32,579	305,925	314,477	1,765,481
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 paid (note 17)	-	-	-	-	-	(56,250)	(56,250)
Transfer from retained earnings to general reserve (note 17)	-	-	200,000	-	-	(200,000)	-
Balance at 31 December 2017	375,000	187,500	750,000	93,191	305,925	263,983	1,975,599

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
OPERATING ACTIVITIES			
Profit for the year		**227,280**	205,004
Adjustments for:			
Depreciation expense	13	**13,265**	10,873
Net movement in unearned premium reserve		**194,873**	(43,537)
Change in gross outstanding claims and IBNR reserve		**108,175**	112,063
Changes in reinsurance share of outstanding claims and IBNR reserve		**(34,873)**	(185,497)
(Reversal of) impairment loss on trade receivables	8 & 22	**(20,469)**	37,153
Change in fair value of investment properties	12 & 21	**16,957**	26,536
Gain on disposal of investments at amortized cost		**-**	(3,929)
Change in fair value of investments through profit or loss	11	**(8,112)**	(12,714)
Net amortization expense	11	**2,949**	2,231
Provision for employees' end of service benefits	19	**4,368**	6,175
Amortization of transaction cost - mandatory convertible bonds	18	**183**	100
Accretion on mandatory convertible bonds	18	**1,494**	533
Gain on disposal of property and equipment		**(103)**	(2)
		505,987	154,989
Working capital changes:			
Insurance balances receivable, prepayments and other receivables		**(9,438)**	(211,861)
Trade and other payables		**(176,079)**	76,768
Cash from operations		**320,470**	19,896
End of service benefits paid	19	**(4,653)**	(2,021)
Net cash from operating activities		**315,817**	17,875
INVESTING ACTIVITIES			
Proceeds from sale of investments		**526,613**	640,443
Change in bank deposits		**70,601**	(56,463)
Proceeds from disposal of property and equipment		**106**	4
Purchase of investments	11	**(1,068,312)**	(674,123)
Purchase of property and equipment	13	**(7,273)**	(6,725)
Payment for investment properties	12	**(278)**	(2,004)
Net cash used in investing activities		**(478,543)**	(98,868)
FINANCING ACTIVITIES			
Dividend paid	17	**(56,250)**	-
Directors' remuneration	17	**(5,800)**	-
Interest payment on mandatory convertible bonds	18	**(29,250)**	-
Proceeds from issuance of mandatory convertible bonds, net		**-**	387,386
Net cash (used in) from financing activities		**(91,300)**	387,386
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(254,026)**	306,393
Cash and cash equivalents at the beginning of the year		**467,530**	161,137
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	25	**213,504**	467,530

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 13 February 2018.

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 2017:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendment was issued in January 2016 with the intention to improve disclosures of financing activities and help users to better understand reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their liabilities as a result of financing activities such as changes from cash flows and non-cash items. The amendment does not impact the consolidated financial statements of the Group.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendment does not impact the consolidated financial statements of the Group.

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 derecognizes 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 recognized in:

(i) Consolidated statement of income, for securities held at amortized 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 derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

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

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets and liabilities continued

Designation at amortized cost

Debt instruments are classified as investments at amortized 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.

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 amortized 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 recognized in accordance with IAS 18 Revenue, are recognized 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 amortized 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 realize 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.

Amortized cost measurement

The amortized 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 amortization using the effective interest method of any difference between the initial amount recognized 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.

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31 December 2017

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement continued

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized 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 recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (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.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement continued

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 reorganization, 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.

Financial assets carried at amortized cost

For financial assets carried at amortized 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, recognized 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 recognized 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 amortized cost together with the associated allowance are written off when there is no realistic prospect of

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of financial assets continued

Financial assets carried at amortized cost continued

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 recognized, the previously recognized 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 recognized during the year to policyholders or other insurers for insurance contracts, and exclude any fees and other amounts calculated based on premiums. These are recognized 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 recognized 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.

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.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Insurance contracts continued

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 recognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Insurance contracts continued

Insurance receivables

Insurance receivables are recognized 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.

Insurance payables

Insurance payables are recognized 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 amortized 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 recognized in the income statement as it accrues and is calculated by using the effective interest rate method.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

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 capitalized as part of that equipment. The cost of self-constructed assets includes the cost of materials and direct labor, 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 recognized 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 derecognized. The cost of day to day servicing of property and equipment is recognized in the consolidated income statement.

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 recognized net within other operating income in the consolidated income statement.

Depreciation

Depreciation is recognized 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

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31 December 2017

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Property and equipment continued

Impairment continued

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 recognized in the consolidated income statement 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 recognized in the consolidated income statement 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 recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

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 recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

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 recognized in operating income in the consolidated income statement. 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 recognized 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 recognized when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.

Investment income
Interest income is recognized 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 recognized as an adjustment to the effective interest rate of the instrument.

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

Realized and unrealized 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. Realized and unrealized exchange gains and losses have been dealt with in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Provisions
A provision is recognized 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 recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized 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 recognized 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 recognized 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

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments ("IFRS 9"), which replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 addresses all aspects of financial instruments including classification and measurement, impairment and hedge accounting.

Classification and measurement of financial assets and financial liabilities

The standard requires the Group to recognize financial assets that are within the scope of IFRS 9 to be subsequently measured at amortized cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Based on these criteria, financial instruments are measured at amortized cost, fair value through OCI, or fair value through profit or loss.

Equity investments are measured at fair value through profit or loss. However, the Group may, at initial recognition of a non-trading equity investment, irrevocably elect to designate the instrument as fair value through OCI, with no subsequent recycling to profit and loss, while recognizing dividend income in profit and loss.

In addition, the Group may, at initial recognition, irrevocably elect to designate a financial asset as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. This designation is also available to existing financial assets.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

Effective 1 January 2011, the Group early adopted IFRS 9 'Financial Instruments' in line with the transitional provisions of IFRS 9.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an Expected Credit Loss ("ECL") model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the Group to recognize a loss allowance for expected credit losses on all classes of financial assets, other than those that are measured as fair value through profit or loss and equity instruments classified and measured as FVOCI. The financial assets subject to impairment requirements of IFRS 9, include; i) debt investments subsequently measured at amortized cost or at FVOCI, ii) lease receivables, iii) contract assets and iv) loan commitments

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

IFRS 9 Financial Instruments continued

Impairment of financial assets continued

and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 month ECL. IFRS 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, and contract assets in certain circumstances.

On the date of initial application, management reviewed and assessed the Group's existing financial assets for impairment in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets and concluded that there is no material impact on the Group's financial assets with regards to impairment requirements of IFRS 9.

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 recognized 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 recognizing 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 2021.

IFRS 16 Leases

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

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

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

IFRS 16 Leases continued

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

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 17 *Insurance Contracts*

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, 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.

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 recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized 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 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 amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. This standard is not applicable to the Group as it does not have share-based payment schemes.

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. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. The Group plans to adopt the standard on the required effective date.

Annual Improvements 2014-2016 cycle

These improvements include:

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. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

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 organization, 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.

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

Annual Improvements 2014-2016 cycle continued

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* continued

- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity 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 recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. These amendments are not applicable to the Group.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation

Or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

3 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

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.

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. As at reporting date, the subsidiary has not commenced its operations.

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.

4 BASIS OF CONSOLIDATION continued

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

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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

5 RISK MANAGEMENT

This section summarizes 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 recognizes 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.

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 minimize 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 summarized in the below table:

Regulation

1. Basis of Investing the Rights of the Policyholders
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 organize and maintain as well as the data and documents that shall be made available to the Authority
6. Principles of organizing 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 RISK MANAGEMENT continued

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

5 RISK MANAGEMENT continued

5.2 Insurance risk continued

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 analyzed below by class of business for the current and previous year:

	Year ended 31 December 2017		*Year ended 31 December 2016*	
Type of risk	***Gross loss ratio***	***Net loss ratio***	*Gross loss ratio*	*Net loss ratio*
Commercial	**66%**	**68%**	66%	59%
Consumer	**74%**	**68%**	70%	68%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

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:

	2012 and earlier AED'000	*2013 AED'000*	*2014 AED'000*	*2015 AED'000*	*2016 AED'000*	***2017 AED'000***	*Total AED'000*
Commercial (gross)							
At the end of the reporting year		403,478	1,148,446	844,711	925,939	**1,328,013**	4,650,587
One year later		618,804	1,344,165	785,954	730,350	**-**	3,479,273
Two years later		717,837	1,337,958	703,396	-	**-**	2,759,191
Three years later		669,447	1,264,217	-	-	**-**	1,933,664
Four years later		645,467	-	-	-	**-**	645,467
Current estimate of cumulative claims		645,467	1,264,217	703,396	730,350	**1,328,013**	4,671,443
Cumulative payments to date		581,322	940,304	453,143	402,735	**252,246**	2,629,750
Total liability recognized in the statement of financial position	57,772	64,145	323,913	250,253	327,615	**1,075,767**	2,099,465
Consumer (gross)							
At the end of the reporting year		930,511	1,134,084	968,060	864,253	**949,485**	4,846,393
One year later		1,003,752	1,301,114	895,816	816,489	**-**	4,017,171
Two years later		1,061,043	1,296,552	884,024	-	**-**	3,241,619
Three years later		1,062,469	1,286,292	-	-	**-**	2,348,761
Four years later		1,060,461	-	-	-	**-**	1,060,461
Current estimate of cumulative claims		1,060,461	1,286,292	884,024	816,489	**949,485**	4,996,751
Cumulative payments to date		1,060,795	1,273,978	838,529	762,650	**569,384**	4,505,336
Total liability recognized in the statement of financial position	566	(334)	12,314	45,495	53,839	**380,101**	491,981
Total commercial and consumer (gross)	58,338	63,811	336,227	295,748	381,454	**1,455,868**	2,591,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

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 47% (2016: 44%) 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 minimize 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.

5 RISK MANAGEMENT continued

5.2 Insurance risk continued

Concentration of insurance risk continued

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

The concentration of insurance risk as at 31 December 2016 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	809,233,092	62,842,136	11,743,082	11,706,068	820,976,174	74,548,204
GCC countries	43,452,574	1,191,020	494,238	340,586	43,946,812	1,531,606
Others	49,543,900	2,336,043	1,783,444	944,449	51,327,344	3,280,492
	902,229,566	66,369,199	14,020,764	12,991,103	916,250,330	79,360,302

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.

5 RISK MANAGEMENT continued

5.3 Financial risk continued

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:

	2017 AED'000	2016 AED'000
Maximum exposure		
Investments at amortized cost	616,853	414,224
Reinsurance contract assets	1,295,990	1,205,417
Trade and other receivables	859,261	827,602
Bank balances	705,352	1,029,981
Total	3,477,456	3,477,224

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 minimize 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.

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.

5 RISK MANAGEMENT continued

5.3 Financial risk continued

Credit risk continued

Management of credit risk continued

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 summarized 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	*Up to 180 days AED'000*	*181 to 365 days AED'000*
Financial liabilities at 31 December 2017			
Insurance contract liabilities	**2,591,446**	**-**	**(2,591,446)**
Trade and other payables	**591,835**	**(591,835)**	**-**
Mandatory convertible bonds	**54,788**	**(28,376)**	**-**
Total	**3,238,069**	**(620,211)**	**(2,591,446)**
Financial liabilities at 31 December 2016			
Insurance contract liabilities	2,483,271	-	(2,483,271)
Trade and other payables	737,779	(737,779)	-
Mandatory convertible bonds	82,544	(29,250)	-
Total	3,303,594	(767,029)	(2,483,271)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

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 2017 and 2016 is as follows:

	Current AED '000	*Non-current AED '000*	*Total AED '000*
31 December 2017			
Bank balances and cash	**705,434**	**-**	**705,434**
Trade and other receivables	**973,711**	**-**	**973,711**
Reinsurance contracts assets	**2,256,024**	**-**	**2,256,024**
Investments	**1,100,430**	**844,935**	**1,945,365**
Investment properties	**-**	**741,025**	**741,025**
Property and equipment	**-**	**69,865**	**69,865**
	5,035,599	**1,655,825**	**6,691,424**
31 December 2016			
Bank balances and cash	1,030,061	-	1,030,061
Trade and other receivables	943,987	-	943,987
Reinsurance contracts assets	2,327,261	-	2,327,261
Investments	762,604	591,011	1,353,615
Investment properties	-	757,704	757,704
Property and equipment	-	75,860	75,860
	5,063,913	1,424,575	6,488,488

Except for end of service benefits of AED 30,919 thousand (2016: AED 31,204 thousand) and non-current portion of mandatory convertible coupon liability amounting to AED 26,412 thousand (2016: 53,739 thousand), the Group expects its liabilities of AED 4,664,293 thousand (2016: AED 4,638,064 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.

5 RISK MANAGEMENT continued

5.3 Financial risk continued

Market risk continued

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.

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 amortized 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 loss would have increased/decreased by AED 4,919 thousand (2016: AED 5,625 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.

5 RISK MANAGEMENT continued

5.3 Financial risk continued

Market risk continued

Equity price risk continued

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 20,540 thousand (2016: AED 16,686 thousand).

For investments held at fair value through other comprehensive income

Changes in revaluation reserves of shares would increase/decrease by AED 112,311 thousand (2016: AED 77,253 thousand) as a result of the changes in fair value of quoted shares.

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.

5 RISK MANAGEMENT continued

5.4 Capital risk management continued

In the 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 29th 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 summarizes the Minimum Capital Requirement of the Group and the total capital held by the Group.

	2017 AED'000	*2016 AED'000*
Total capital held by the Company	375,000	375,000
Minimum regulatory capital	100,000	100,000

6 USE OF ESTIMATES AND JUDGMENTS

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognized 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 amortized cost. In judging whether investments in securities are as at fair value through other comprehensive income, fair value through profit or loss or amortized 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.

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6 USE OF ESTIMATES AND JUDGMENTS continued

Judgments continued

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 judgment is required in establishing fair values. The judgments 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 632.6 million (2016: AED 437.8 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 232.5 million (2016: AED 237.4 million).

Provision for outstanding claims

Provision for outstanding claims include provision for ALAE and ULAE reserves. Considerable judgment 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 judgment 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 755.5 million (2016: AED 677.3 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.

6 USE OF ESTIMATES AND JUDGMENTS continued

Estimation uncertainty continued

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 policyholders and the insurance and reinsurance companies, historical recovery rates including detailed investigations carried out during 2017 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognized 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 recognized in the consolidated statement of income at the time of collection. Provision for the doubtful debts on insurance receivables at 31 December 2017 was AED 141,095 thousand (2016: AED 161,571 thousand).

Impairment of investments at amortized cost

The Group evaluates impairment on investments at amortized cost on an ongoing basis and a comprehensive review on a quarterly basis to assess whether an impairment charge should be recognized in the consolidated statement of income. In particular, considerable judgment 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 judgments 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 judgment 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 analyzes potential rental income from the property and deducts the expenses incurred in the operation of the asset. The net rental income is then capitalized 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 realized. The change in fair value recognized in the consolidated statement of income for the year was a decrease of AED 16,957 thousand (2016: decrease of AED 26,536 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 categorized 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 categorized in the different levels of the fair value hierarchy, then the fair value measurement is categorized 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 recognizes 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 analyzes 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 categorized:

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
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**
31 December 2016				
Investments carried at fair value through profit or loss	-	-	166,863	166,863
Investment carried at fair value through OCI	627,550	-	144,978	772,528
	627,550	-	311,841	939,391

7 FAIR VALUES OF FINANCIAL INSTRUMENTS continued

Fair value of financial instruments measured at amortized cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	Carrying amount AED'000	*Fair value AED'000*
31 December 2017		
Investments at amortized cost	**616,853**	**615,224**
31 December 2016		
Investments at amortized cost	414,224	423,684

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

	2017 AED'000	*2016 AED'000*
Balance as at 1 January	**311,841**	324,268
Change in fair value	**63,314**	21,860
Additions	**104,096**	21,089
Disposals	**(57,729)**	(55,376)
Balance at 31 December	**421,522**	311,841

During the years ended 31 December 2017 and 2016, there were no transfers between level 1 and 2.

8 TRADE AND OTHER RECEIVABLES

	2017 AED'000	*2016 AED'000*
Trade receivables	**899,389**	901,160
Less: impairment provision of receivables	**(141,095)**	(161,571)
Net trade receivables	**758,294**	739,589
Other receivables:		
Deferred acquisition costs	**80,937**	80,315
Rental income receivable	**56,344**	74,038
Prepayments	**33,513**	36,070
Other receivables, net of provision	**44,623**	13,975
Total other receivables	**215,417**	204,398
Total trade and other receivables	**973,711**	943,987

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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 445,557 thousand (2016: AED 465,475 thousand) have a provision of AED 141,095 thousand (2016: AED 161,571 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 2017				
Trade receivables	**453,832**	**413,948**	**39,884**	**-**
31 December 2016				
Trade receivables	435,685	395,109	36,857	3,719

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:

	2017 AED'000	*2016 AED'000*
At 1 January	**161,571**	124,608
Write-offs during the year	**(7)**	-
(Reversal) charge for the year, net (note 22)	**(20,469)**	36,963
At 31 December	**141,095**	161,571

Movement in deferred acquisition costs were as follows:

	2017 AED'000	*2016 AED'000*
At 1 January	**80,315**	70,619
Acquisition costs paid/payable during the year	**188,902**	185,264
Amortized during the year	**(188,280)**	(175,568)
At 31 December	**80,937**	80,315

9 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS

	2017 AED'000	*2016 AED'000*
Insurance contract liabilities		
Outstanding claims (i)	**2,051,446**	1,882,671
Claims incurred but not reported	**540,000**	600,600
Unearned premium reserve (ii)	**1,290,973**	1,196,411
	3,882,419	3,679,682
Re-insurance contract assets		
Outstanding claims	**1,295,990**	1,205,417
Claims incurred but not reported	**307,500**	363,200
Unearned premium reserve	**658,333**	758,644
	2,261,823	2,327,261
Insurance liabilities - net		
Outstanding claims (i)	**755,456**	677,254
Claims incurred but not reported	**232,500**	237,400
Unearned premium reserve (ii)	**632,640**	437,767
	1,620,596	1,352,421

(i) Outstanding claims includes allocated and unallocated loss adjustment expenses reserve of AED 52,100 thousand (2016: AED 52,800 thousand)

(ii) Unearned premium reserve includes:

	2017 AED'000	*2016 AED'000*
Premium deficiency reserve - gross	**112,800**	129,600
Premium deficiency reserve - net	**33,700**	14,700
Unexpired risk reserve - gross	**61,127**	76,795
Unexpired risk reserve - net	**22,169**	29,651

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 analyzed 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 2017			*31 December 2016*		
	Gross AED'000	*Re-insurance AED'000*	*Net AED'000*	*Gross AED'000*	*Re-insurance AED'000*	*Net AED'000*
Claims						
Outstanding claims	**1,882,671**	**1,205,417**	**677,254**	1,669,208	993,320	675,888
Incurred but not reported	**600,600**	**363,200**	**237,400**	702,000	389,800	312,200
Total at 1 January	**2,483,271**	**1,568,617**	**914,654**	2,371,208	1,383,120	988,088
Claims settled	**(1,656,751)**	**(1,024,186)**	**(632,565)**	(1,440,587)	(662,342)	(778,245)
Increase in liabilities	**1,764,926**	**1,059,059**	**705,867**	1,552,650	847,839	704,811
Total at 31 December	**2,591,446**	**1,603,490**	**987,956**	2,483,271	1,568,617	914,654
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 31 December	**2,591,446**	**1,603,490**	**987,956**	2,483,271	1,568,617	914,654
Unearned premium						
Total at 1 January	**1,066,811**	**643,744**	**423,067**	1,070,444	644,190	426,254
Increase during the year	**2,643,297**	**1,410,896**	**1,232,401**	2,375,475	1,337,373	1,038,102
Release during the year	**(2,531,935)**	**(1,475,407)**	**(1,056,528)**	(2,379,108)	(1,337,819)	(1,041,289)
Net increase (decrease) during the year	**111,362**	**(64,511)**	**175,873**	(3,633)	(446)	(3,187)
Total at 31 December	**1,178,173**	**579,233**	**598,940**	1,066,811	643,744	423,067
Provision for Premium Deficiency Reserve						
Total at 1 January	**129,600**	**114,900**	**14,700**	41,050	(14,000)	55,050
Net (decrease) increase during the year	**(16,800)**	**(35,800)**	**19,000**	88,550	128,900	(40,350)
Total at 31 December	**112,800**	**79,100**	**33,700**	129,600	114,900	14,700
Grand total	**3,882,419**	**2,261,823**	**1,620,596**	3,679,682	2,327,261	1,352,421

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 (2016: AED 10,000,000) which cannot be utilized without the consent of the Chairman of the Insurance Authority's Board of Directors.

11 INVESTMENTS

	2017 AED'000	*2016 AED'000*
Investments at fair value through other comprehensive income	**1,123,113**	772,528
Investments at amortized cost	**616,853**	414,224
Investment at fair value through profit or loss	**205,399**	166,863
	1,945,365	1,353,615

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:

	2017 AED'000	*2016 AED'000*
Fair value at 1 January	**772,528**	577,964
Additions during the year	**772,492**	487,171
Disposals during the year	**(482,519)**	(283,570)
Net change in fair value	**60,612**	(9,037)
	1,123,113	772,528

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

	2017 AED'000	*2016 AED'000*
Opening balance at 1 January	**414,224**	534,851
Additions during the year	**220,581**	182,299
Disposals during the year	**(15,003)**	(300,695)
Amortization expense	**(2,949)**	(2,231)
	616,853	414,224

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

	2017 AED'000	*2016 AED'000*
Fair value at 1 January	**166,863**	179,372
Additions during the year	**75,239**	4,653
Disposals during the year	**(44,815)**	(29,876)
Net change in fair value (note 21)	**8,112**	12,714
	205,399	166,863

Geographical concentration of investments is as follows:

Within UAE	**1,097,772**	597,851
Outside UAE	**847,593**	755,764
	1,945,365	1,353,615

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12 INVESTMENT PROPERTIES

	Abu Dhabi Head Office Land and Building [i] AED '000	*Al Ain Land and Building [ii] AED '000*	*Sharjah Land and Building [iii] AED '000*	*Al Raha Beach (Plot 406) and Building [iv] AED '000*	*Al Raha Beach (Plot 408) and Building [v] AED '000*	*Total AED '000*
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**
2016						
At 1 January 2016	158,666	11,900	47,000	287,120	277,550	782,236
Additions	-	-	-	1,002	1,002	2,004
(Decrease) increase in fair value during the year (note 21)	(12,481)	135	(850)	11,478	(24,818)	(26,536)
At 31 December 2016	146,185	12,035	46,150	299,600	253,734	757,704

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

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

(iii) This 16-story 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 (2016: same). The fair values of the Group's investment properties are categorized 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 recognized professional qualifications and recent experience in the locations and categories of the properties being valued (for DCF valuations) or (b) market based valuations.

12 INVESTMENT PROPERTIES continued

Measurement of fair value continued

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.

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).

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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*
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**
2016:						
Cost:						
At 1 January 2016	24,547	40,158	41,414	208	32,271	138,598
Additions	-	145	4,007	-	2,573	6,725
Disposals	-	(100)	(3)	(7)	-	(110)
Transfers	-	-	13,042	-	(13,042)	-
At 31 December 2016	24,547	40,203	58,460	201	21,802	145,213
Depreciation:						
At 1 January 2016	5,620	28,824	24,021	123	-	58,588
Charge for the year	1,292	4,270	5,289	22	-	10,873
Disposal for the year	-	(99)	(3)	(6)	-	(108)
At 31 December 2016	6,912	32,995	29,307	139	-	69,353
Carrying amounts:						
At 31 December 2016	17,635	7,208	29,153	62	21,802	75,860

14 SHARE CAPITAL

	2017 AED'000	*2016 AED'000*
Authorized		
375,000,000 ordinary shares of AED 1 each (2016: 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 (2016: 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 this 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 200,000 thousand from retained earnings to general reserve, which was approved in the General Assembly Meeting held on 28 March 2017 (2016: no transfers).

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 2017 of AED 0.25 per share at 25% of par value.

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

At the Annual General Assembly held on 28 March 2017, the Shareholders approved Board of Directors' remuneration relating to the results of 2016 amounting to AED 5,800 thousand (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

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*
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)**
Amortization of transaction costs	**-**	**-**	**183**	**183**
Balance at 31 December 2017	**54,788**	**305,925**	**(267)**	**360,446**
2016				
Mandatory convertible bonds - gross	82,011	307,989	-	390,000
Transaction costs	-	(2,064)	(550)	(2,614)
Mandatory convertible bonds - net	82,011	305,925	(550)	387,386
Accretion expense	533	-	-	533
Amortization of transaction costs	-	-	100	100
Balance at 31 December 2016	82,544	305,925	(450)	388,019

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

	2017 AED'000	*2016 AED'000*
Current	**28,376**	28,805
Non-current	**26,412**	53,739
Total	**54,788**	82,544

19 PROVISION FOR STAFF END OF SERVICE BENEFITS

	2017 AED'000	2016 AED'000
Balance at 1 January	31,204	27,050
Charge for the year	4,368	6,175
Paid during the year	(4,653)	(2,021)
Balance at 31 December	30,919	31,204

20 TRADE AND OTHER PAYABLES

	2017 AED'000	2016 AED'000
Trade accounts payable	566,527	625,243
Other payables:		
Accrued expenses	35,232	33,246
Deferred commission income	58,055	70,813
Deferred income	68,376	87,739
Other accounts payable	25,308	112,536
Total other payables	186,971	304,334
Total trade and other payables	753,498	929,577

21 NET INVESTMENT AND OTHER INCOME

	2017 AED'000	2016 AED'000
Net rental income	39,441	41,760
Dividend income	57,369	38,864
Net interest income on bank deposits and bonds	34,039	37,603
Change in fair value of investments at fair value through profit or loss account (note 11)	8,112	12,714
Gain on disposal of investment at amortized cost	-	3,929
Decrease in fair value of investment properties (note 12)	(16,957)	(26,536)
Other expenses	(7,772)	(5,968)
Net investment and other income	74,791	60,606
	114,232	102,366

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31 December 2017

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2017 AED'000	2016 AED'000
Salaries and other benefits	149,956	152,522
(Reversal of) impairment of receivables, net (note 8)	(20,469)	37,153
Depreciation charge (note 13)	13,265	10,873
Advertisement	4,835	3,447
Social contribution (note 28)	4,000	-
Rent	5,327	4,799
Communication and office supplies	5,641	5,119
Others	28,409	26,000
	190,964	239,913

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.

	2017 AED'000	2016 AED'000
Profit for the year used for basic earnings per share	227,280	205,004
Accretion recognized during the year on mandatory convertible bonds	1,494	533
Profit for the year used for calculating basic and diluted earnings per share	228,774	205,537
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)	0.40	0.36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

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 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**

	Directors and key management 31 December 2016 AED'000	*Major shareholder 31 December 2016 AED'000*	*Others 31 December 2016 AED'000*	*Total 31 December 2016 AED'000*
Trade and other receivables	373	1	255,306	255,680
Trade and other payables	6	-	25,324	25,330
Cash and bank balances	-	-	653,413	653,413
Investments	-	-	241,428	241,428
Statutory deposits	-	-	10,000	10,000
Insurance contract liabilities	30	1,491	348,961	350,482

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24 RELATED PARTIES continued

Transactions

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

	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**

	Directors and key management 31 December 2016 AED'000	*Major shareholder 31 December 2016 AED'000*	*Others 31 December 2016 AED'000*	*Total 31 December 2016 AED'000*
Premium written	37	3,990	370,835	374,862
Claims incurred	7	2,990	253,705	256,702
Dividend income	-	-	7,288	7,288
Interest income	-	-	15,480	15,480
Directors remuneration	-	-	-	-
Other investment income	-	-	188	188

24 RELATED PARTIES continued

Transactions continued

A net amount of AED 23,541 thousand has been released from provision for impairment against trade and other receivables extended to related parties (2016: charge of AED 79,919 thousand). Contingent liabilities issued during the year in favor of related parties amounted to AED 53,552 thousand (2016: AED 47,388 thousand).

Key management personnel remuneration

Key management remuneration is as shown below:

	2017 AED'000	2016 AED'000
Salaries and short term benefits	10,254	8,880
Staff end of service benefits	533	503
	10,787	9,383

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:

	2017 AED'000	2016 AED'000
Cash in hand	82	80
Statutory deposit	10,000	10,000
Deposits/call/current accounts at local UAE banks	695,352	1,019,981
	705,434	1,030,061
Less: statutory deposit	(10,000)	(10,000)
Less: deposits with original maturities of greater than three months	(481,930)	(552,531)
Cash and cash equivalents	213,504	467,530

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

	2017 AED'000	2016 AED'000
Within UAE	684,282	1,010,779
Outside UAE	21,152	19,282
	705,434	1,030,061

Fixed deposits and call accounts with banks carry interest rates of 0.85% to 3% (2016: 0.55% to 3%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

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

	Commercial		Consumer		Total	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Gross written premium	1,358,666	1,311,125	1,284,631	1,064,350	2,643,297	2,375,475
Less: reinsurance premium ceded	(959,888)	(930,562)	(451,008)	(406,811)	(1,410,896)	(1,337,373)
Net written premium	398,778	380,563	833,623	657,539	1,232,401	1,038,102
Net change in unearned premium reserves	(25,008)	(26,801)	(169,865)	70,338	(194,873)	43,537
Net premium earned	373,770	353,762	663,758	727,877	1,037,528	1,081,639
Gross claims paid	(903,428)	(590,625)	(753,323)	(849,962)	(1,656,751)	(1,440,587)
Less: reinsurance share of claims paid	690,569	361,254	333,617	301,088	1,024,186	662,342
Net claims paid	(212,859)	(229,371)	(419,706)	(548,874)	(632,565)	(778,245)
Net change in outstanding claims and IBNR	(42,174)	19,876	(31,128)	53,558	(73,302)	73,434
Net claims incurred	(255,033)	(209,495)	(450,834)	(495,316)	(705,867)	(704,811)
Gross commission income	102,663	88,345	49,390	42,409	152,053	130,754
Less: commission expenses incurred	(110,320)	(94,044)	(33,197)	(45,102)	(143,517)	(139,146)
Net commissions (expenses) income	(7,657)	(5,699)	16,193	(2,693)	8,536	(8,392)
Other underwriting income	4,656	5,385	3,924	5,153	8,580	10,538
Less: other underwriting expenses	(23,252)	(19,553)	(21,513)	(16,870)	(44,765)	(36,423)
Net other underwriting expenses	(18,596)	(14,168)	(17,589)	(11,717)	(36,185)	(25,885)
Net underwriting results	92,484	124,400	211,528	218,151	304,012	342,551
Net investment and other income					114,232	102,366
General and administrative expenses					(190,964)	(239,913)
Profit for the year					227,280	205,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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

	2017 AED'000	2016 AED'000
Commitments in respect of uncalled subscription of equities held as Investments	67,824	39,128
Bank guarantees	123,933	135,840
Letters of credit	386	425

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 4,000 thousand (2016: nil) which were approved by the Board of Directors.

OUR LOCATIONS

Head Office, Main Branches, and Subsidiaries

Head Office
ADNIC Corporate Headquarters
P.O. Box: 839 – Abu Dhabi
Tel: 02 4080100
Fax: 02 4080604
Email: adnic@adnic.ae

Dubai Branch (1)
Al Muraikhi Tower
Al Maktoum Street
P.O. Box: 11236 – Deira
Tel: 04 5154850
Fax: 04 5154910

Dubai Branch (2)
International Division
Maze Tower
Dubai - Opposite DIFC
Tel: 04 515 4888
Fax: 04 515 4919

Mussafah Branch (1)
The Village Mall, Workers Village
Mussafah M24
Shops (GF-A11 and A07)
P.O. Box: 92572 – Abu Dhabi
Tel: 02 4080696
Fax: 02 4080690

Mussafah Branch (2)
No. M42, Mussafah Industrial Area
Heavy Vehicle Registration Office,
Abu Dhabi, Traffic Department
Tel: 02 5511382
Fax: 02 5511382

Al Ain Branch (1)
Khalaf Bin Ahmad
Al-Otaibah Building
Main Street (Sheikh Zayed Road)
P.O. Box: 1407 – Al Ain
Tel: 03 7641834
Fax: 03 7663147

Al Ain Branch (2)
Al Ain Traffic Police Dept. –
Zakher
Tel: 03 7828666
Fax: 03 7663147

Sharjah Branch
Al Hosn Tower,
Showroom No. 2, Building
No. 617/A, Al Ittihad Street
P.O. Box: 3674 – Sharjah
Tel: 06 5683743
Fax: 06 5682713

Salam Street Branch
Al Zubara Tower, Ground Floor,
Al Salam Street
P.O. Box: 3275 – Abu Dhabi
Tel: 02 4080400
Fax: 02 4080699

Samha Traffic Branch
Samha ADNOC Station
Tel: 02 5620162
Fax: 02 4080604

Khalifa City Branch
C9, Ground Floor,
Etihad Plaza Complex
Tel: 02 4080547/548
Fax: 02 4080604

Abu Dhabi Branch
Abu Dhabi Traffic Police –
Vehicle Test Section
Tel: 02 4080578/587/588/589
Fax: 02 4080604

Madinat Zayed Branch
Abu Dhabi Traffic Police –
Heavy Vehicle
Tel: 02 8841577
Fax: 02 8841577

Mizyad Branch
Abu Dhabi Traffic Police Dept.
Tel: 03 7824250
Fax: 03 7663147

Al Shamkha Branch
ADNOC Service Station
169 | Motor World
Tel: 02 4080575/576
Fax: 02 4080604

Ruwais Branch
Ruwais City – Main ADNOC Station
Tel: 02 8772123
Fax: 02 8772123

Ghuwaifat Border Branch
Tel: 02 8723080
Fax: 02 8723080

Ghuwaifat - Sila'a Branch
Tel: 02 8723287
Fax: 02 8723287

Subsidiaries

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