AL KHAZNA INSURANCE COMPANY P.S.C.

Reports and consolidated financial statements for the year ended 31 December 2017

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Report of the Board of Directors
for the year ended 31 December 2017

The Board of Directors of Al Khazna Insurance Company PSC has the pleasnre to present the Annual Board of Directors report and the audited consolidated financial statements for the year ended 31 December 2017.

Presented below are the technical and financial results of the Group:

1. Insurance activities:

The Group reduced its underwriting business during the year 2017 by 56 % as compared to the year 2016. The gross written premium decreased from AED 236.8 million in 2016 to AED 104.3 million in 2017.

The gross claims paid have decreased from AED 202.5 million in 2016 to AED 184.9 million in 2017.

Due to the above facts, the Group registered a net underwriting loss of AED 69.2 million in 2017 as compared to AED 65.7 million in 2016.

2. Investment activities:

The portfolio is comprised of long-term investments in properties and investments in the securities including listed shares and unlisted shares. In order to comply with the Insurance Authority regulations the company has reduced its investment portfolio of listed shares by AED 28.9 million.

The investment activities loss increased from AED 7.5 million in 2016 to AED 63 million in 2017.

3. Expenses from operations:

Operating expenses allocated to underwriting increased from AED 38.2 million in 2016 to AED 44.2 million in 2017. This is mainly due to the provision for doubtful debts of AED 11.1 million in 2017 compared to AED 6.4 million in year 2016.

4. Loss for the year:

The Group's loss has increased from AED 77.7 million in 2016 to AED 140.5 million in 2017 mainly due to losses incurred from operating and investing activities.

5. Going concern:

Note 3.3 to the consolidated financial statements discloses that the Group is facing significant challenges in terms of meeting its operating and financing cash flows requirements in the foreseeable future, which indicate the existence of material uncertainty that may cast a significant doubt on the Group's ability to continue as going concern. Note 3.3 also discloses mitigating measures planned by Management and Board, based on which, we believe the Gronp will overcome these challenges and continue in operational existence for the foreseeable future. Accordingly, these consolidated financial statements are prepared adopting the going concern basis of accounting.

Report of the Board of Directors
for the year ended 31 December 2017 (continued)

Finally, the Board of Directors would like to extend its sincere thanks and gratitude to H.H. Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates and Ruler of the Emirate of Abu Dhabi H.H Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of UAE and Ruler of Dubai, H.H. Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi and the Rulers of all the other Emirates for their wise leadership and support. We would like to also thank the Securities and Commodities Authority, the Abu Dhabi Stock Market and the Insurance Authority for their continuous support.

The Board would like also to express its high appreciation to the Company's shareholders, corporate and individual customers, reinsurers, brokers and the Company's external auditors for their constant trust and continuous support in addition to the Company's management team and staff for their sincere efforts and dedication.

Khalifa Mohammed Rubaya Al Muhairi
Chairman
27 March 2018

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Al Khazna Insurance Company P.S.C.
Abu Dhabi
United Arab Emirates

Report on the audit of the consolidated financial statements

Disclaimer of Opinion

We were engaged to audit the consolidated statement of financial position of Al Khazna Insurance Company P.S.C. ("the Company") and its subsidiaries ("the Group") as at 31 December 2017 and the related consolidated statements of profit or loss, total comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

As discussed in note 3.2.1 to the consolidated financial statements, as of the end of the reporting period, the Group's losses for the period amounted to AED 140.5 million, cash flows used in operating activities amounted to AED 67.3 million, and accumulated losses exceeded 50% of the share capital.

Management was expecting to submit a detailed Corrective Plan to the Insurance Authority and generate cash flows from operations and sales of assets to support the operating and financing cash flow requirements in the short and medium term. However, as discussed in note 18, during the year, the Group has defaulted in repayment of one of its loan installments amounting to AED 12.4 million. The total recognised amount of the outstanding loan is AED 197.3 million including interest as of 31 December 2017. As a result of the default, the Group has breached its covenants contained in its loan agreement and the whole amount of the outstanding loan becomes immediately payable along with a previously forgiven amount of AED 39.4 million (plus interest). Based on the contractual agreement, the lender may enforce the term of the agreement in this respect to recover the whole amount. In this event, adjustments would have to be made to provide for further liabilities and to reclassify these liabilities as current liabilities.

As of the date of this report, the Corrective Plan has not been approved, no replacement financing or renegotiation of the terms of the bank loan has been concluded, and only partial settlement of the past due loan payment amounting to AED 5.7 million has been made.

Subsequent to year-end, the Abu Dhabi Court for Urgent Matters issued a court order to restrict the Group's balances with certain UAE banks up to AED 11.6 million due to the non-fulfillment of a claim settlement to a policyholder.

In addition, subsequent to year-end, the Company's Registration Certificates with Insurance Authority expired. As of the date of the issuance of these financial statements, these certificates have not yet been renewed by the Company.

INDEPENDENT AUDITOR'S REPORT

Basis for Disclaimer of Opinion (continued)

A revised Management's plan and cash flow forecasts with revised dates for submission of the Corrective Plan and disposal of assets has been approved by the Board of Directors as of the date of this report. The cash flow forecasts include assumptions related to non-enforcement of the terms of the loan agreement in respect of recovering the whole outstanding loan balance including the forgiven amount and interest, and a disposal of certain additional assets worth AED 45 million during April 2018 and AED 7 million by the end of September 2018.

We were not provided with documentation related to these assumptions to support the appropriateness of the consolidated financial statements being prepared using the going concern basis of accounting. Consequently, we were unable to confirm or dispel whether it is appropriate to prepare the consolidated financial statements using the going concern basis of accounting.

As disclosed in Note 7 to the consolidated financial statements:

- The Group's investment in Sanad Cooperative Insurance Company ("Sanad"), classified as investment at "fair value through profit or loss" is carried at AED 4.1 million as at 31 December 2017, and the Group's loss resulting from the change in fair value of Sanad shares of AED 40.4 million is included in the Group's statement of profit or loss for the year then ended. We were unable to obtain sufficient appropriate evidence about the fair value of the Group's investment in Sanad as at 31 December 2017 and the Group's gain/loss resulting from the change in fair value for the year because the shares valuation is based on the 31 December 2016 financial statements of Sanad on which the external auditors expressed a disclaimer of opinion. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

- The Group's investments classified at "available-for-sale" (AFS) include investments in unquoted equity securities carried at AED 14.7 million as at 31 December 2017, and the Group's loss resulting from the change in fair value of these investments of AED 4.4 million is included in the Group's statement of total comprehensive income for the year then ended. We were unable to obtain sufficient appropriate evidence about the fair value of the Group's investments in these shares as at 31 December 2017 and the Group's gain/loss resulting from the change in fair value for the year because the shares valuations are based on the prior year financial information of the investees as current information is absent. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Further, as disclosed in Note 6 to the consolidated financial statements:

- Included in investment properties is a plot of land (C-72 in Mussafah) valued at AED 9.1 million as of 31 December 2016 and registered in the name of previous directors who had assigned full beneficial rights of the plot to the Group. During the last quarter of the reporting period, as per management, this plot of land has been swapped with another plot of land (C-76 in Mussafah) by the Department of Urban Planning and Municipalities. We have not been provided with the necessary evidence to substantiate this transaction. Further, the new plot of land (valued at AED 7.7 million as of 31 December 2017) is also registered in the name of the previous directors, who had assigned full beneficial rights of the plot to the Group. We were unable to ascertain the valuation and rights and obligations for this property and consequently, we were unable to determine whether any adjustments to this amount were necessary.

- The Group's investment properties include two plots of land with a carrying value of AED 87.3 million for which the master developer did not transfer the titles to the name of the Company, pending the settlement of the last instalments, which are linked to the completion of the development works. We were unable to determine whether any adjustments to this amount were necessary.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

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

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

The Board of Directors and the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the other ethical requirements that are relevant to our audit of the Group's 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.

Report on other legal and regulatory requirements

We are required to report on the application of the provisions of the UAE Federal Law No. (2) of 2015 and the Articles of Association of the Company as per Article 246 of the UAE Federal Law No. (2) of 2015. Further, as required by the U.A.E. Federal Law No. 6 of 2007, as amended, we are required to report whether we have obtained all the information and explanations we considered necessary for the purpose of our audit. However, due to the matters described in the *Basis for Disclaimer of Opinion* above, we are unable to report further on the application of these requirements.

Deloitte & Touche (M.E.)

Signed by:
Georges F. Najem
Registration No. 809
27 March 2018
Abu Dhabi, United Arab Emirates

Consolidated statement of financial position
as at 31 December 2017

	Notes	2017 AED	2016 AED
ASSETS			
Property and equipment	5	**1,311,520**	1,738,307
Investment properties	6	**302,795,000**	322,799,000
Investments in securities:			
- Available-for-sale (AFS) investments	7	**60,086,539**	64,936,033
- Investments at fair value through profit or loss (FVTPL)	7	**82,921,862**	168,466,719
Statutory deposit	8	**10,000,000**	10,000,000
Reinsurance share of technical provisions:			
- Unearned premium reserve	9	**16,262,635**	19,774,489
- Claims under settlement reserve	9	**58,352,827**	85,443,079
- Claims incurred but not reported reserve	9	**10,082,000**	12,382,930
- Unexpired risk reserve	9	**467,495**	3,842,975
Insurance receivables	10	**66,452,797**	99,546,054
Other receivables and prepayments	11	**9,545,524**	15,691,384
Deferred acquisition costs		**2,823,158**	8,907,879
Term deposits		**1,858,633**	1,829,807
Cash and cash equivalents	12	**13,451,566**	55,649,026
Total assets		**636,411,556**	871,007,682

Consolidated statement of financial position (continued)
as at 31 December 2017

	Notes	2017 AED	2016 AED
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**420,000,000**	420,000,000
Share premium		**1,788,422**	1,788,422
Legal reserve	14	**62,145,349**	62,145,349
Fair value reserve		**15,040,748**	19,890,242
Revaluation reserve		**11,736,841**	11,736,841
Accumulated losses		**(395,229,935)**	(254,708,897)
Total capital and reserves		**115,481,425**	260,851,957
LIABILITIES			
Provision for end of service benefit	15	**6,361,625**	5,845,678
Gross technical provisions:			
- Unearned premium reserve	9	**54,366,185**	101,240,344
- Claims under settlement reserve	9	**77,643,982**	122,076,612
- Claims incurred but not reported reserve	9	**31,937,105**	33,664,673
- Unallocated loss adjustment expense reserve	9	**2,122,774**	2,830,061
- Unexpired risk reserve	9	**10,055,070**	11,873,773
Insurance payables	16	**104,281,246**	83,812,659
Other payables	17	**32,845,010**	32,454,193
Reinsurance deposit retained		**1,418,818**	2,051,371
Unearned reinsurance commission		**593,997**	1,523,263
Deferred income		**4,024,994**	7,687,693
Bank borrowings	18	**195,279,325**	205,095,405
Total liabilities		**520,930,131**	610,155,725
Total equity and liabilities		**636,411,556**	871,007,682

Chairman **Managing Director** **Head of Finance**

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

Consolidated statement of profit or loss for the year ended 31 December 2017

	Notes	2017 AED	2016 AED
Gross premiums written	21	**104,307,505**	236,809,312
Reinsurance share of direct business premium	21	**(33,420,475)**	(60,942,068)
Net premium		**70,887,030**	175,867,244
Change in unearned premium provision		**43,362,305**	(7,887,855)
Net premium earned		**114,249,335**	167,979,389
Commission expenses - net		**(12,842,311)**	(12,990,545)
Commission income		**3,462,210**	2,772,170
Gross underwriting income		**104,869,234**	157,761,014
Gross claims paid	22	**(184,978,411)**	(202,517,255)
Reinsurance share of claims	22	**39,209,959**	37,017,529
Net claims paid		**(145,768,452)**	(165,499,726)
Change in claims under settlement reserve		**44,432,630**	(32,921,612)
Change in reinsurance share for claims under settlement reserve		**(27,090,252)**	18,729,079
Change in claims incurred but not reported reserve		**1,727,568**	(14,654,673)
Change in reinsurance share for claims incurred but not reported reserve		**(2,300,930)**	4,185,930
Change in unallocated loss adjustment expense reserve		**707,287**	(287,061)
Change in unexpired risk reserve		**1,818,703**	1,326,227
Change in reinsurance share of unexpired reserve		**(3,375,480)**	3,842,975
Net claims incurred		**(129,848,926)**	(185,278,861)
Operating expenses	23	**(44,204,090)**	(38,211,663)
Net underwriting loss		**(69,183,782)**	(65,729,510)
Net loss from investments	24	**(52,407,395)**	(6,768,232)
Loss from investment properties	25	**(10,674,520)**	(744,852)
Operating expenses	23	**-**	(4,720,205)
Finance costs		**(10,204,181)**	(2,531,538)
Other income		**1,948,840**	2,792,859
Loss for the year attributable to equity holders of the parent company	26	**(140,521,038)**	(77,701,478)
Basic and diluted loss per share	27	**(0.335)**	(0.185)

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

Consolidated statement of total comprehensive income for the year ended 31 December 2017

	2017 AED	2016 AED
Loss for the year	**(140,521,038)**	(77,701,478)
Other comprehensive loss:		
Items that will be reclassified subsequently to profit or loss:		
Net fair value loss on available-for-sale investments	**(4,849,494)**	(10,867,585)
Total comprehensive loss for the year	**(145,370,532)**	(88,569,063)
Attributable to:		
Equity holders of the Parent Company	**(145,370,532)**	(88,569,063)

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

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

	Share capital AED	Share premium AED	Legal reserve AED	Regulatory reserve AED	Fair value and revaluation reserves AED	Accumulated losses AED	Attributable to the equity holders of the Company AED
Balance at 1 January 2016	420,000,000	1,788,422	62,145,349	60,103,225	42,494,668	(237,110,644)	349,421,020
Loss for the year	-	-	-	-	-	(77,701,478)	(77,701,478)
Other comprehensive loss	-	-	-	-	(10,867,585)	-	(10,867,585)
Total comprehensive loss for the year	-	-	-	-	(10,867,585)	(77,701,478)	(88,569,063)
Transfer	-	-	-	(60,103,225)	-	60,103,225	-
Balance at 1 January 2017	420,000,000	1,788,422	62,145,349	-	31,627,083	(254,708,897)	260,851,957
Loss for the year	-	-	-	-	-	(140,521,038)	(140,521,038)
Other comprehensive loss	-	-	-	-	(4,849,494)	-	(4,849,494)
Total comprehensive loss for the year	-	-	-	-	(4,849,494)	(140,521,038)	(145,370,532)
Balance at 31 December 2017	**420,000,000**	**1,788,422**	**62,145,349**	**-**	**26,777,589**	**(395,229,935)**	**115,481,425**

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

Consolidated statement of cash flows
for the year ended 31 December 2017

	Notes	2017 AED	2016 AED
Cash flows from operating activities			
Loss for the year		**(140,521,038)**	(77,701,478)
Adjustments for:			
Depreciation of property and equipment	5	**673,696**	680,899
Net fair value loss on investment properties	6 & 25	**20,004,000**	11,875,000
Net fair value loss on investments designated at FVTPL	7 & 24	**51,616,278**	18,784,105
Gain on restructuring of loan	18	**-**	(2,131,184)
Dividends from investments in securities	24	**(6,965,868)**	(12,802,511)
Net income from investment properties	6 & 25	**(9,329,480)**	(11,130,148)
Interest income	24	**(32,421)**	(30,534)
Finance costs		**10,204,181**	2,136,217
Gain on disposal of property and equipment		**(82,397)**	(118,000)
Loss on disposal of investments at FVTPL	24	**4,978,680**	-
Provision for doubtful receivables, net		**11,135,066**	1,258,146
Provision for employees' end of service benefit	15	**943,152**	838,485
Impairment of capital work in progress	5	**-**	5,145,916
Cash flows used in operating activities before movements in working capital		**(57,376,151)**	(63,195,087)
Decrease/(increase) in deferred acquisition costs		**6,084,721**	(2,454,906)
Decrease/(increase) in reinsurance contract assets		**36,278,516**	(22,510,473)
(Decrease)/increase in insurance contract liabilities		**(95,560,347)**	50,177,463
(Decrease)/increase in unearned reinsurance commission		**(929,266)**	246,885
Decrease in insurance and other receivables		**28,104,051**	19,511,716
Increase in insurance and other payables		**20,859,404**	28,865,351
Decrease in reinsurance deposit retained		**(632,553)**	(534,118)
Decrease in deferred income		**(3,662,699)**	(1,154,476)
Cash used in operating activities		**(66,834,324)**	8,952,355
Employees' end of service benefit paid	15	**(427,205)**	(119,792)
Net cash used in operating activities		**(67,261,529)**	8,832,563
Cash flows from investing activities			
Movement in term deposits with maturity of greater than three months		**(28,826)**	(28,880)
Payments to acquire property and equipment	5	**(252,210)**	(732,599)
Dividends received		**6,965,868**	12,802,511
Net income received from investment properties		**9,329,480**	11,130,148
Interest income received		**32,421**	30,567
Proceed from sale of investments	7	**28,949,899**	-
Proceeds from sale of property and equipment		**87,698**	133,300
Net cash generated from investing activities		**45,084,330**	23,335,047

Consolidated statement of cash flows (continued)
for the year ended 31 December 2017

	Note	2017 AED	2016 AED
Cash flows from financing activities			
Repayment of bank borrowings		**(10,081,089)**	(22,841,084)
Finance cost paid		**(9,939,172)**	-
Net cash used in financing activities		**(20,020,261)**	(22,841,084)
Net (decrease)/increase in cash and cash equivalents		**(42,197,460)**	9,326,526
Cash and cash equivalents at beginning of the year	**12**	**55,649,026**	46,322,500
Cash and cash equivalents at end of the year		**13,451,566**	55,649,026

Notes to the consolidated financial statements for the year ended 31 December 2017

1 General information

Al Khazna Insurance Company P.S.C. (the "Company") is a public shareholding company. The Company are incorporated in the Emirate of Abu Dhabi by virtue of the Emiri Decree No. (4) dated 11 September 1996.

The Company's principal activity is the writing of general insurance and re-insurance business of all classes.

The Company operates through its head office in Abu Dhabi and branch offices in Dubai and Al Ain. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 73343, Abu Dhabi, United Arab Emirates.

The Company's ordinary shares are listed on Abu Dhabi Securities Exchange.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these financial statements.

Amendments to IAS 12 *Income Taxes* Recognition of Deferred Tax Assets for Unrealised Losses
The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 7 *Disclosure Initiative*
The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings. A reconciliation between the opening and closing balances of these items is provided in note 18. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 18, the application of these amendments has had no impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12
The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 2.2).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The application of these amendments has had no impact on the Group's consolidated financial statements.

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

2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014–2016 Cycle amending IFRS 1 and IAS 28.	1 January 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	1 January 2019
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018

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

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

<u>New and revised IFRSs</u>	**Effective for annual periods <u>beginning on or after</u>**
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
IFRS 15 *Revenue from Contracts with Customers* In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2018
Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 *Leases* IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	1 January 2021

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 17 may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 (2014) will be adopted in the consolidated financial statements for the annual period beginning 1 January 2018, and that IFRS 17 will be adopted in the consolidated financial statements for the annual period beginning 1 January 2021.

The detailed assessment is as follows:

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

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

<u>Impact assessment of IFRS 9 *Financial Instruments*</u>

Based on the analysis of the Group's consolidated financial assets and financial liabilities as at 31 December 2017 and considering the facts and circumstances that exist at that date, the Company has assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement of financial assets and liabilities:
The classification and measurement requirement of IFRS 9 (2014) may not have a material impact on the financial statements as in 2010, the Group already adopted IFRS 9 Financial Instruments (2009) relating to the classification and measurement requirements for financial assets in advance of its effective date. Refer to notes 3.10 and 3.11 for the accounting policies regarding financial instruments.

Impairment of financial assets:
The impairment requirements of IFRS 9 apply to financial assets that are measured at amortised cost, and off balance sheet lending commitments such as financial guarantees (hereafter collectively referred to in this note as financial assets). Financial assets measured at amortised cost include, amounts due from policyholders, insurance companies, brokers and reinsurance companies will be subject to the impairment provisions of IFRS 9.

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its insurance receivables and other financial assets which do not have a significant financing component as required or permitted hy IFRS 9.

In general, the management anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

<u>Impact assessment of IFRS 15 *Revenue from Contracts with Customers*</u>

IFRS 15 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018. The application of IFRS 15 may have limited impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of revenue from contracts with customers. However, it is not practicable to provide a reasonable estimate of effects of the application of this standard until the Group performs a detailed review.

<u>Impact assessment of IFRS 17 *Insurance Contracts*</u>

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

3 Summary of significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates (UAE) Federal Law No. 2 of 2015 and Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of UAE.

On 28 December 2014, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for Insurance Companies (the "Financial Regulations") and were then subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The insurers are given a grace period of between one to three years to comply with the Financial Regulations, depending on the section involved.

The Group is still in the process of implementing the requirements of Appendix (1) of the Financial Regulations in respect of preparation of the financial statements and disclosures; in particular, those disclosures related to the solvency margin, operational risk management and certain disclosures related to receivables and payables.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and investment properties. Historical cost is generally based on fair value of the consideration given in exchange for assets.

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

3.2.1 Going concern

a) During the reporting period, the Group reduced its underwriting activities in different lines of business until it concludes on corrective measures, which will be based on technical recommendations suggested by an external consultant. This has resulted in a reduction in cash inflows from the underwriting business and consequently a reduction in available cash as at the end of the reporting period.

   The Group might not be able to meet its financial obligations for the coming 12 months if it does not generate sufficient cash flows through the operating activities and the disposal of additional assets amounting to AED 45 million by the end of April 2018 and AED 7 million by the end of September 2018.

3 Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

3.2.1 Going concern (continued)

b) The Financial Regulations for Insurance Companies (the "Regulations") issued by the IA sets specified limits for assets distribution and allocation. Holding inadmissible investments or non-compliance with the set limits affects the Group's ability to meet the Regulations' solvency requirements. The deadlines for compliance with the Regulations requirements vary between end of January 2017 and end of January 2018. Compliance with these requirements requires significant restructuring of the Group's investments portfolio based on different milestones within the current year, with full implementation not later than end of January 2018.

The Group will be in non-compliance with the Regulations requirements if it does not prepare and execute a Corrective Plan in respect of restructuring its investments portfolio on a timely manner which might result in further actions taken by the IA that might affect the Group operations.

c) The Group incurred a loss of AED 140.5 million, its cash flows used in operating activities amounted to AED 67.3 million for the year ended 31 December 2017 and its accumulated losses exceeded 50% of its share capital as of 31 December 2017.

d) As discussed in note 18, during the year, the Group has defaulted in repayment of one of its loan installment. The total amount of the outstanding loan is AED 197.3 million including interest. As per one of the covenants of the loan agreement the whole amount of the outstanding loan becomes immediately payable along with the previously forgiven amount of AED 39.4 million (plus interest) in the event of default of any repayment. The value of the property provided as security in respect of this loan, amounts to AED 132.5 million which is lower than the repayable amount. As of the date of these financial statements, the Group has been unable to conclude renegotiations or obtain replacement financing.

e) Subsequent to year-end, the Abu Dhabi Court for Urgent Matters issued a court order to restrict the Group's balances with certain UAE banks up to AED 11.6 million due to the non-fulfillment of a claim settlement to a policyholder.

f) Subsequent to year-end, the Company's Registration Certificates with Insurance Authority expired. As of the date of the issuance of these financial statements, these certificates have not yet been renewed by the Company.

Management considers that the above factors present significant challenges to the Group in terms of meeting its operating and financing cash flow requirements in the foreseeable future. Whilst management has planned the below measures to overcome those circumstances, there are material uncertainties over future results and cash flows.

3 Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

3.2.1 Going concern (continued)

- The Group appointed a Consultant to conduct a full business review covering underwriting, claims, reinsurance, investments, IT reporting, internal audit and risk management, finance and corporate governance areas and to provide a report on the summary of key areas of concern and corrective action to support the Group's preparation of its Corrective Plan. In its previous assessment of going concern, Management was expecting to submit the detailed Corrective Plan to the Insurance Authority by the end of June 2017. However, this has not been completed till the date of issuance of these financial statements.

  At the end of the current reporting period, the Consultant has submitted the draft business plan and this is currently under Board discussion and approval. Management obtained an extension from Insurance Authority until August 2017 for the submission of the Corrective Plan; however, the extended period lapsed without the submission of the plan by the Group. The Group will be submitting the plan to Insurance Authority following the Board approval.

- Management will reassess, based on the finalised Consultant report, its pricing and reinsurance strategy to improve the performance of the medical line of business and its pricing and expense loadings of the motor and other lines of business. Management is also developing and implementing a plan to review the overall expenses across all lines of business. Management has a reasonable expectation that this Corrective Plan will enable the Group to generate profits or to at least reduce its losses from operating activities significantly.

- The Board has set an investment action plan for restructuring the Group's investments portfolio and for full or partial disposal of certain investments including plots of land, and/or other quoted and non-quoted investments to generate cash flows to support the operating and financing cash flow requirements in the short and medium term as well as to comply with Insurance Authority regulations requirements related to concentration and asset allocation limits.

- On 30 April 2017, the AGM passed a resolution to continue in the activity of the Company and authorized the Board to sell investment assets, if needed, to settle the bank loan and generate liquidity.

These conditions indicate the existence of multiple material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. As a result of the mitigating measures described above, management has a reasonable expectation that the Group has adequate plan and resources to overcome these challenges and continue in operational existence for the foreseeable future.

This conclusion relies particularly on the Group being able to successfully implement its Corrective Plan for the insurance business, non-enforcement of the terms of the loan agreement in respect of recovering the whole outstanding loan balance including the forgiven amount and interest by the bank renewal of the registration licenses, as well as for full or partial disposal of certain assets, so the Group can contain its losses, and generate positive cash flows from operating and investing activities. For these reasons, management continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

3 Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

3.2.1 Going concern (continued)

In the absence of the Group's ability to achieve management's planned measures, the going concern basis would be invalid and adjustments would have to be made to reduce the values of the assets as presented in the consolidated statement of financial position to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

The principal accounting policies are set out below:

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Name of subsidiary	Proportion of ownership 2017	2016	Country of incorporation	Principal activities
The Best Tenants LLC ***	**99%**	99%	UAE	To market, promote and deliver property management and advisory services.
Real Estate Academy Est. (Al Akarya Academy) **	**100%**	100%	UAE	To market, promote and delivery management and advisory services in respect of real estate.
Al Khazna Real Estate Est. *	**100%**	100%	UAE	To market, promote and deliver management and advisory services in respect of real estate.
Modern Academy Administrative Training LLC *	**100%**	100%	UAE	To provide business management training.
IT Academy LLC *	**100%**	100%	UAE	To provide business management training.
Real Estate Academy for Training LLC *	**100%**	100%	UAE	To provide business management training.
Academy of Tourism and Holidays LLC *	**100%**	100%	UAE	To provide training in the field of travel, tourism and hotel management.
First Deal Real Estate LLC ***	**100%**	100%	UAE	To manage investments in real estate.
Academy for Investment Est. *	**100%**	100%	UAE	To manage investments in real estate.
Under Writing Electronics Solutions Est. *	**100%**	100%	UAE	Data formatting, computer system and instruments filling services.
Tadawel Electronics Solutions Est. *	**100%**	100%	UAE	Software consultancy, storing and retrieving data.
Tel Fast Recruitment Agencies LLC *	**99%**	99%	UAE	Employment services – recruitment.
Tel Fast Manpower Supply LLC *	**99%**	99%	UAE	Labourers supply services.

*These subsidiaries have not yet commenced operations and their trade licenses have expired and not been renewed.
**These subsidiaries have not yet commenced operations and do not have trade licenses.
***These subsidiaries have commenced operations but their trade licenses have expired and not been renewed.

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

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3 Summary of significant accounting policies (continued)

3.4 Foreign currencies

For the purpose of these consolidated financial statements UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of profit or loss in the period in which they arise.

3.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated so as to write off the cost of property and equipment less their estimated residual values, on a straight line basis over their expected useful economic lives, as follows:

Furniture, fixtures and office equipment	5 years
Motor vehicles	4 years
Computer equipment and accessories	5 years

The estimated useful lives, residual values and depreciation method reviewed at the end of each annual reporting period with the effect of any changes accounted for on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

3.6 Capital work in progress

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. When the asset is ready for its intended use and is commissioned, capital work in progress is transferred to the appropriate property, plant and equipment or intangible asset category and is depreciated or amortised on the same basis as other assets in accordance with Group's policies.

3 Summary of significant accounting policies (continued)

3.7 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss for the period in which they arise.

3.8 Impairment of non-financial assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

3.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

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

3 Summary of significant accounting policies (continued)

3.10 Insurance contracts

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

Recognition and measurement

General insurance contracts protect the Group's customers for damage suffered to their assets as well as against the risk of causing harm to third parties as a result of their legitimate activities. General insurance contracts also protect the Group's customers from the consequences of events such as illness and disability.

For all these contracts, premiums are recognised as revenue proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owned to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group.

The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Liability adequacy tests

Liability adequacy tests are performed at the end of the reporting period to ensure the adequacy of the contract liabilities. In performing these test, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss.

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the end of the reporting period, 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 end of the reporting period and is estimated using the time proportionate method. The unearned premiums are computed using the 365-day method to spread the premium written proportionally over the period of coverage for all lines of business, except for marine cargo, which is calculated as 25% of gross written premium and for engineering which is calculated on a daily increasing basis over the term of the policy.

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

3 Summary of significant accounting policies (continued)

3.10 Insurance contracts (continued)

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Insurance contracts entered into by the Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contract and in accordance with the terms of each reinsurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expenses when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance assets are impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of income.

Reinsurance commissions received from the reinsurers are carried over the same period as the related ceded premiums.

Deferred policy acquisition costs

Commissions that are related to securing new contracts and renewing existing contracts are capitalised as Deferred Acquisition Costs ("DAC"). All other costs are recognised as expenses when incurred. Deferred acquisition costs are subsequently amortised over the life of the contracts. The resulting change to the carrying value of the DAC is charged to the consolidated statement of profit or loss.

Receivable and payables related to insurance contracts

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of profit or loss.

The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

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

3 Summary of significant accounting policies (continued)

3.10 Insurance contracts (continued)

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimated of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

3.11 Employee benefits

Accrual is made for the full amount of end of service benefits due to non-UAE national employees in accordance with UAE Labour Law, for their period of service up to the end of the reporting period.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (9) of 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees' period of service.

3.12 Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases.

The Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as a lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3 Summary of significant accounting policies (continued)

3.13 Financial assets

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

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

3.13.1 Classification of financial assets

The Group classifies its financial assets under the following categories: loans and receivables, available for sale financial assets and financial assets at fair value through profit or loss (FVTPL).

3.13.2 Loans and receivables

Cash and cash equivalents

Cash and cash equivalents which include cash on hand and deposits held at call with banks with original maturities of three months or less, are classified as loans and receivables.

Insurance receivables

Insurance receivables and other receivables that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Interest income is recognised by applying the effective interest rate, except for short- term receivables when the recognition of interest would be immaterial.

3.13.3 Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL where the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3 Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair values of financial assets at fair value through profit or loss are determined by reference to quoted market prices.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the 'net investment income' line item in the profit and loss.

3.13.4 Available for-sale financial assets

Investments not classified as "FVTPL", loans and receivables, and held-to-maturity investments are classified as AFS investments and are initially measured at trade date value, plus directly attributable transaction costs.

After initial recognition, AFS investments are remeasured at fair value, based on quoted market prices at the end of reporting period.

Unrealised gains and losses on remeasurement to fair value on AFS investments are recognised directly in equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gains or losses previously reported in equity are included in profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3 Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

3.13.5 Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, reflecting the impact of collateral and guarantees, discounted at the financial asset's original effective interest rate.

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

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

3.13.6 Derecognition of financial assets

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

3 Summary of significant accounting policies (continued)

3.14 Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities comprised of insurance payables and other liabilities, term loan and bank overdraft are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term liabilities when the recognition of interest would be immaterial.

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

Derecognition of financial liabilities

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

3.15 Dividend distribution

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

3.16 Revenue recognition

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

Insurance contract income

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these consolidated financial statements (see above 3.10)

3 Summary of significant accounting policies (continued)

3.16 Revenue recognition (continued)

Commission income and expenses

Commission income is recognised as 'deferred income' when reinsurance contract is entered into and subsequently amortised in profit or loss over the term of the reinsurance contract.

Commission expense is recognised as 'deferred acquisition cost' under prepayment when policies are issued and subsequently amortised in profit or loss over the term of the policies as premium is earned.

Rental income

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

Dividend income

Dividend income is recognised when the Group's right to receive the payment has been established.

Interest income

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

4 Critical accounting judgments and key sources of estimation of uncertainty

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimates made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

4.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at available for sale or FVTPL. In judging whether investments in securities are as at available for sale or FVTPL, Management has considered the detailed criteria for determination of such classification as set out in IAS 39, *Financial Instruments: Recognition and Measurement*. Management is satisfied that its investments in securities are appropriately classified.

4 Critical accounting judgments and key sources of estimation of uncertainty (continued)

4.2 Impairment for available-for-sale financial assets

The Group follows the guidance of IAS 39 '*Financial Instruments*': *Recognition and Measurement* to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business for the investee.

4.3 Obligations arising from claims made under insurance contracts

The estimation of obligations arising from the claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the amounts that the Group will eventually pay for such claims. Estimates have to be made at the end of the reporting period both for the expected ultimate cost of claims reported for the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.4 Liability adequacy test

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

4.5 Impairment of amounts due from policyholders

An estimate of the collectible amount from policyholders is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired entails the management's evaluation of the specific credit and liquidity position of the policyholders and their historical recovery rates including detailed investigations carried out during the year. Provision for impairment of amounts due from policyholders at 31 December 2017 is AED 26,918,396 (2016: AED 17,834,871).

4.6 Impairment of amounts due from insurance and re-insurance companies

Management regularly reviews the collectability of amounts due from insurance and re-insurance companies. The majority of these receivables are due from reputable local and international insurance and re-insurance companies. Such balances are regularly reconciled by both parties and are settled by on account payments on a regular basis. Based on above evaluation, Management is satisfied that no impairment is necessary on receivables from insuranee and re-insurance companies.

4 Critical accounting judgments and key sources of estimation of uncertainty (continued)

4.7 Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determined the amount within a range of reasonable fair value estimates. In making its judgment, the Group considered recent prices of similar properties in the same location and similar conditions, which adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Details of fair valuation methods and assumptions applied are disclosed in note 6 to the consolidated financial statements.

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

5 Property and equipment

	Furniture, fixtures and office equipment AED	Motor vehicles AED	Computer equipment and accessories AED	Capital work in progress AED	Total AED
Cost					
1 January 2016	6,886,985	1,334,726	6,053,643	5,145,916	19,421,270
Additions	118,678	54,000	559,921	-	732,599
Disposals	-	(479,300)	-	-	(479,300)
Impairment of capital work in progress	-	-	-	(5,145,916)	(5,145,916)
1 January 2017	7,005,663	909,426	6,613,564	-	14,528,653
Additions	66,687	58,600	126,923	-	252,210
Disposals	(106,863)	(102,000)	(5,228)	-	(214,091)
31 December 2017	**6,965,487**	**866,026**	**6,735,259**	**-**	**14,566,772**
Accumulated depreciation					
1 January 2016	6,406,881	908,827	5,257,739	-	12,573,447
Charge for the year	183,991	155,802	341,106	-	680,899
Eliminated on disposals	-	(464,000)	-	-	(464,000)
1 January 2017	6,590,872	600,629	5,598,845	-	12,790,346
Charge for the year	149,147	159,859	364,690	-	673,696
Eliminated on disposals	(101,591)	(102,000)	(5,199)	-	(208,790)
31 December 2017	**6,638,428**	**658,488**	**5,958,336**	**-**	**13,255,252**
Carrying amount					
31 December 2017	**327,059**	**207,538**	**776,923**	**-**	**1,311,520**
31 December 2016	414,791	308,797	1,014,719	-	1,738,307

Capital work in progress in the prior year of AED 5.1 million was comprised of a flat in a property under development in Dubai which management intended to hold for their Group's use. The contracted value of the flat was AED 18.3 million of which AED 9.1 million had been advanced and the remaining commitment in respect of this flat amounted to AED 9.2 million at 31 December 2017 (2016: AED 9.2 million).

In prior year, the Group fully impaired the capital work in progress balance due to non-recoverability of the balance from the developer.

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

6 Investment properties

	Land AED	Buildings AED	Total AED
At 1 January 2016	160,264,000	174,410,000	334,674,000
Changes in fair value	(5,335,000)	(6,540,000)	(11,875,000)
At 1 January 2017	154,929,000	167,870,000	322,799,000
Changes in fair value	(2,239,000)	(17,765,000)	(20,004,000)
Addition	9,100,000	-	9,100,000
Disposal	(9,100,000)	-	(9,100,000)
31 December 2017	**152,690,000**	**150,105,000**	**302,795,000**

Investment properties represent the fair value of plots of lands with a total value of AED 152.7 million (2016: AED 154.9 million) and buildings with a value of AED 150.1 million (2016: AED 167.9 million) owned by the Group in Abu Dhabi, Al Ain and Mussaffah.

The fair value of the investment properties as of 31 December 2017 has been arrived at on the basis of independent valuations carried out by two valuers that are not related to the Group. The valuers are members of the Royal Institute of Surveyors, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

Fair value of building properties
The fair values of building properties were determined based on a combination of market comparable approach and income capitalisation approach. Market comparable approach involves making adjustments to the rents achieved for comparable properties to account for differences in location, configuration, floor area, date of transaction, included facilities, potential views, and other individual characteristics.

Having established its opinion on the market rents based on the market comparable approach, the Group has thereafter utilised the income capitalisation method to assess the market value of the property. This methodology involves the capitalisation of the subject property's net income stream at an appropriate investment yield, after the deduction of non-recoverable items such as operational costs. The capitalisation rate adopted is made with reference to the yield rates observed by the valuer's for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

Fair value of land properties
The fair values of land properties were determined based on market comparable approach. This approach involves making adjustments to the sales price of comparable properties to account for differences in location, frontage, services provided, plot area and shape, level of site works required, maximum permitted Gross Floor Area (GFA) allowance, height allowance, date of sale, potential views, aspect and other relevant points of difference between the subject plot and the comparable evidence.

There has been no change to the valuation technique during the year. In estimating the fair value of the properties, the highest and best use of properties is their current use.

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

6 Investment properties (continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2017 and 2016 are as follows:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2017				
Building in Abu Dhabi	-	-	**132,500,000**	**132,500,000**
Building in Al Ain	-	-	**17,605,000**	**17,605,000**
Land plots in Abu Dhabi	-	-	**152,690,000**	**152,690,000**
	-	-	**302,795,000**	**302,795,000**
31 December 2016				
Building in Abu Dhabi	-	-	148,950,000	148,950,000
Building in Al Ain	-	-	18,920,000	18,920,000
Land plots in Abu Dhabi	-	-	154,929,000	154,929,000
	-	-	322,799,000	322,799,000

For investments categorised into Level 3 of the fair value hierarchy, the following information is relevant:

Property	**Valuation Techniques**	**Significant unobservable inputs**	**Sensitivity**
Building in Abu Dhabi	Combination of Market comparable approach and Income capitalisation approach	Capitalisation rate (taking into account the capitalisation of rental income, potential, nature of property, and prevailing market condition) of 8.5%.	A 0.5% increase in the capitalisation rate used would result to a decrease in fair value by AED 15.7 million (2016: AED 8 million) and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average of AED 2,300 per square meter per year for the showroom unit and AED 1,000 per square meter for other units.	A 5% increase in the market rent used would result to an increase in fair value by AED 0.8 million (2016: AED 8 million) and vice versa.

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

6 Investment properties (continued)

Property	Valuation techniques	Significant unobservable inputs	Sensitivity
Building in Al Ain	Combination of Market comparable approach and Income capitalisation approach	Capitalisation rate (taking into account the capitalisation of rental income, potential, nature of property, and prevailing market condition) of 8.8%.	A 0.5% increase in the capitalisation rate used would result to a decrease in fair value by AED 1.2 million (2016: AED 1.08 million) and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at a range of AED 550 to AED 910 per square meter.	A 5% increase in the market rent used would result to a decrease in fair value by AED 0.6 million (2016: increase of AED 0.9 million) and vice versa.
Land plots in Abu Dhabi	Market comparable approach	Market value per Gross Floor Area (GFA), taking into account differences in location, frontage, services provided, plot area and shape, level of site works required, maximum permitted GFA allowance, height allowance, date of sale, potential views, aspect and other relevant points of difference between the subject plot and the comparable evidence.	A 5% increase in the market value per GFA used would result to an increase in fair value by AED 7.6 million (2016: AED 7.7 million) and vice versa.

A building with a carrying value of AED 132.5 million (2016: AED 149 million) is mortgaged in favour of First Abu Dhabi Bank against the bank loan (note 18).

Included within investment properties are two plots of land with a carrying value of AED 87.3 million (2016: AED 87.3 million) whose title were not transferred to the name of the Group, pending the settlement of the last installments which are linked to the completion of the Group's development works on these plots. The master developer has filed a legal case against the Company in relations with these last installments (see note 29 for further details).

Also included in the investment properties is a plot of land (C-72 in Mussafah) valued at AED 9.1 million as of 31 December 2016 registered in the name of previous directors who assigned full beneficial rights of the plot to the Group. During the last quarter of the reporting period, this plot of land was swapped with another plot of land (C-76 in Mussafah) by the Department of Urban Planning and Municipalities. Further, the new plot of land is also registered in the name of the previous directors, who assigned full beneficial rights of the plot to the Group.

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

6 Investment properties (continued)

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

	2017 AED	2016 AED
Rental income	**10,864,416**	12,556,611
Direct operating expenses	**(1,534,936)**	(1,426,463)
	9,329,480	11,130,148

7 Investments in securities

	2017 AED	2016 AED
Available for sale (AFS) investments		
Quoted UAE equity securities	**11,211,110**	11,034,788
Unquoted UAE equity securities	**48,875,429**	53,901,245
	60,086,539	64,936,033
Investments at FVTPL		
Quoted UAE securities	**77,773,940**	122,780,074
Unquoted UAE equity securities	**487,500**	487,500
Quoted foreign equity securities	**458,000**	556,500
Quoted but suspended foreign equity securities	**4,100,500**	44,552,550
Unquoted foreign equity securities	**101,922**	90,095
	82,921,862	168,466,719

The movement in the investments in securities is as follows:

	2017 AED	2016 AED
AFS investments		
Fair value at 1 January	**64,936,033**	75,803,618
Decrease in fair value taken to other comprehensive income	**(4,849,494)**	(10,867,585)
Fair value at the end of the reporting year	**60,086,539**	64,936,033

7 Investments in securities (continued)

	2017 AED	2016 AED
Investments at FVTPL		
Fair value at 1 January	**168,466,719**	187,250,824
Proceeds on disposal	**(28,949,899)**	-
Realised loss on disposal	**(4,978,680)**	-
Decrease in fair value taken to profit or loss (note 24)	**(51,616,278)**	(18,784,105)
Fair value at the end of the reporting year	**82,921,862**	168,466,719

The geographical distribution of investments is as follows:

	2017 AED	2016 AED
Within UAE	**138,347,979**	188,203,607
Outside UAE	**4,660,422**	45,199,145
	143,008,401	233,402,752

The Group's investments include:

- An investment in Sanad Cooperative Insurance Company ("Sanad") classified as "fair value through profit or loss" (FVTPL) amounting to AED 4.1 million (31 December 2016: AED 45 million). Sanad's shares have been delisted on 11 May 2017, following suspension of trading of these shares on the stock exchange since September 2014. The value recorded as of 31 December 2017 in the consolidated financial statements is based on Sanad's net asset value using 31 December 2016 financial information (on which external auditor included a disclaimer of opinion) with a 20% marketability discount applied by the external valuer.

- Certain investments classified as available-for-sale (AFS) and FVTPL which are measured in these consolidated financial statements at AED 14.7 million and AED 0.5 million, respectively by reference to a fair valuation that is based on prior year financial information due to the lack of recent financial information.

8 Statutory deposit

In accordance with the requirements of UAE Federal Law No.6/2007 covering insurance companies and agencies, the Company maintains a bank deposit of AED 10,000,000 (2016: AED 10,000,000) which cannot be utilised without the consent of the UAE Insurance Authority.

9 Technical provisions

	2017 AED	2016 AED
Gross technical reserves		
- Unearned premiums reserve	**54,366,185**	101,240,344
- Claims under settlement reserve	**77,643,982**	122,076,612
- Claims incurred but not reported reserve	**31,937,105**	33,664,673
- Unallocated loss adjustment expense reserve	**2,122,774**	2,830,061
- Unexpired risk reserve	**10,055,070**	11,873,773
	176,125,116	271,685,463
Reinsurance share of technical reserves		
- Unearned premiums reserve	**16,262,635**	19,774,489
- Claims under settlement reserve	**58,352,827**	85,443,079
- Claims incurred but not reported reserve	**10,082,000**	12,382,930
- Unexpired risk reserve	**467,495**	3,842,975
	85,164,957	121,443,473
Net technical reserves		
- Unearned premiums reserve	**38,103,550**	81,465,855
- Claims reported unsettled reserve	**19,291,155**	36,633,533
- Claims incurred but not reported reserve	**21,855,105**	21,281,743
- Unallocated loss adjustment expense reserve	**2,122,774**	2,830,061
- Unexpired risk reserve	**9,587,575**	8,030,798
	90,960,159	150,241,990

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

9 Technical provisions (continued)

Technical provisions - net, comprises of following:

	Claims under settlement reserve	Claims incurred but not reported reserve	Unearned premiums reserve	Unallocated loss adjustment expense reserve	Unexpired risk reserve	Total
	AED	AED	AED	AED	AED	AED
2017						
Fire	**605,753**	**33,580**	**109,707**	**251,171**	**-**	**1,000,211**
Motor	**5,267,799**	**15,376,369**	**15,103,870**	**702,207**	**1,691,460**	**38,141,705**
Medical	**9,673,450**	**6,170,479**	**21,538,339**	**359,076**	**7,896,115**	**45,637,459**
Marine and Aviation	**1,284,203**	**100,369**	**86,615**	**448,257**	**-**	**1,919,444**
Accident and others	**2,459,950**	**174,308**	**1,265,019**	**362,063**	**-**	**4,261,340**
	19,291,155	**21,855,105**	**38,103,550**	**2,122,774**	**9,587,575**	**90,960,159**
2016						
Fire	839,953	86,644	200,185	323,351	-	1,450,133
Motor	18,235,670	10,732,904	57,056,135	781,924	3,634,295	90,440,928
Medical	13,645,948	10,033,460	22,757,973	675,786	4,396,503	51,509,670
Marine and Aviation	1,780,216	175,101	34,435	711,855	-	2,701,607
Accident and others	2,131,746	253,634	1,417,127	337,145	-	4,139,652
	36,633,533	21,281,743	81,465,855	2,830,061	8,030,798	150,241,990

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

9 Technical provisions (continued)

Movements in the below technical provisions (gross and net) during the year are as follows:

	2017			2016		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
CLAIMS						
Notified claims	122,076,612	85,443,079	36,633,533	89,155,000	66,714,000	22,441,000
Incurred but not reported	33,664,673	12,382,930	21,281,743	19,010,000	8,197,000	10,813,000
Unallocated loss adjustment expense	2,830,061	-	2,830,061	2,543,000	-	2,543,000
Unexpired risk reserve	11,873,773	3,842,975	8,030,798	13,200,000	-	13,200,000
Total at 1 January	170,445,119	101,668,984	68,776,135	123,908,000	74,911,000	48,997,000
Claims settled	(184,978,411)	(39,209,959)	(145,768,452)	(202,517,255)	(37,017,529)	(165,499,726)
Increase in liabilities	136,292,223	6,443,297	129,848,926	249,054,374	63,775,513	185,278,861
Total at 31 December	121,758,931	68,902,322	52,856,609	170,445,119	101,668,984	68,776,135
Notified claims	77,643,982	58,352,827	19,291,155	122,076,612	85,443,079	36,633,533
Incurred but not reported	31,937,105	10,082,000	21,855,105	33,664,673	12,382,930	21,281,743
Unallocated loss adjustment expense	2,122,774	-	2,122,774	2,830,061	-	2,830,061
Unexpired risk reserve	10,055,070	467,495	9,587,575	11,873,773	3,842,975	8,030,798
Total at 31 December	121,758,931	68,902,322	52,856,609	170,445,119	101,668,984	68,776,135
UNEARNED PREMIUM						
Total at 1 January	101,240,344	19,774,489	81,465,855	97,600,000	24,022,000	73,578,000
Premiums written during the year	104,307,505	33,420,475	70,887,030	236,809,312	60,942,068	175,867,244
Release during the year	(151,181,664)	(36,932,329)	(114,249,335)	(233,168,968)	(65,189,579)	(167,979,389)
Net decrease during the year	(46,874,159)	(3,511,854)	(43,362,305)	3,640,344	(4,247,511)	7,887,855
Total at 31 December	54,366,185	16,262,635	38,103,550	101,240,344	19,774,489	81,465,855

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

10 Insurance receivables

	2017 AED	2016 AED
Due from policy holders	**52,300,553**	61,959,772
Due from agents, brokers and intermediaries	**14,865,343**	35,247,662
Due from reinsurance companies	**26,205,297**	20,173,491
	93,371,193	117,380,925
Less: provision for impairment of receivables	**(26,918,396)**	(17,834,871)
	66,452,797	99,546,054

Due from policy holders include an amount of AED 3 million (2016: AED 2.6 million) receivable from related parties (note 19).

At 31 December 2017, the Group had a concentration of credit risk, with five customers (2016: five customers) accounting for 39% of insurance receivables outstanding at that date (2016: 30%). Management is confident that this concentration of credit risk will not result in any loss to the Group considering the credit history of these customers.

As at 31 December 2017, insurance receivables with a carrying value of AED 26.9 million (2016: AED 17.8 million) were impaired and fully provided.

The movement in allowance for impairment loss in respect of receivables is as follows:

	2017 AED	2016 AED
At 1 January	**17,834,871**	16,576,725
Provision for the year	**9,811,138**	1,928,056
Release of provision	**(727,613)**	(669,910)
At 31 December	**26,918,396**	17,834,871

Insurance receivables that are outstanding for more than three months are considered past due. At 31 December 2017, due from policyholders, agents, brokers, intermediaries and reinsurers of AED 66.5 million (2016: AED 99.5 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

10 Insurance receivables (continued)

	2017 AED	2016 AED
Not past due:	**13,264,123**	10,701,290
Past due but not impaired:		
91 to 180 days	**18,398,462**	30,373,831
181 to 365 days	**17,063,753**	21,738,415
More than 1 year	**17,726,459**	36,732,518
	66,452,797	99,546,054
Past due and impaired:		
More than 1 year	**26,918,396**	17,834,871
	93,371,193	117,380,925

11 Other receivables and prepayments

	2017 AED	2016 AED
Deposits and other receivables	**14,233,113**	15,457,295
Less: provision for impairment of other receivables	**(10,189,993)**	(8,138,452)
	4,043,120	7,318,843
Rent receivable	**4,014,290**	6,666,830
Prepayments	**1,488,114**	1,705,711
	9,545,524	15,691,384

Deposits and other receivables include an amount of AED 0.9 million (2016: AED 2.3 million) relating to security deposit for tender bonds.

Deposits and other receivables include an amount of AED 3.4 million (2016: AED 3.4 million) receivable from related parties (note 19).

The Group signed a Memorandum of Understanding (MoU) with Abu Dhabi Holding, a related party, on 27 March 2013. As per the MoU, both parties agreed to enter into a partnership to establish and operate a University, whereby the Group contribution would be providing the leased premises to the partnership. The partnership has not been established as at 31 December 2017.

11 Other receivables and prepayments (continued)

Impairment of other receivables

The provision for impaired other receivables amounted to AED 10.1 million as at 31 December 2017 (2016: AED 8.1 million).

The creation of provision for impaired insurance receivables and the provision for impaired other receivables has been included in the consolidated statement of profit or loss. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

12 Cash and cash equivalents

	2017 AED	2016 AED
Balances held at UAE banks	**11,866,348**	54,076,231
Balances held at foreign banks abroad	**1,501,018**	1,488,395
Cash on hand	**84,200**	84,400
	13,451,566	55,649,026

For the purpose of the consolidated statement of cash flows, bank overdraft amounting to AED 10.3 million (2016: AED Nil) was excluded from cash and cash equivalents since it relates to the financing of the bank loan (note 18) and is included within the financing activities.

13 Share capital

	2017 AED	2016 AED
Authorised:		
420,000,000 shares of AED 1 each	**420,000,000**	420,000,000
Allotted, issued and fully paid:		
420,000,000 shares of AED 1 each	**420,000,000**	420,000,000

In an Extraordinary General Meeting on 22 December 2013, the Shareholders approved to increase the share capital of the Company by AED 200 million. The Company did not start the process to obtain the necessary approvals from the concerned authorities for the capital increase. Moreover, the Shareholders have requested the issue of bonus shares up to the maximum amount.

14 Legal reserve

In accordance with the UAE Federal Law number (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of 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.

15 Provision for end of service benefits

	2017 AED	2016 AED
Balance at the beginning of the year	**5,845,678**	5,126,985
Charge for the year	**943,152**	838,485
Paid during the year	**(427,205)**	(119,792)
Balance at the end of the year	**6,361,625**	5,845,678

16 Insurance payables

	2017 AED	2016 AED
Payable to policyholders	**56,114,544**	36,389,075
Payable to insurance companies	**29,567,339**	26,387,727
Payable to brokers/agents	**18,599,363**	21,035,857
	104,281,246	83,812,659

17 Otber payahles

	2017 AED	2016 AED
Dividends payable	**18,034,036**	18,041,263
Accruals and other payables	**14,810,974**	14,412,930
	32,845,010	32,454,193

18 Bank borrowings

	Current AED	Non-current AED	Total AED
As at 31 December 2017			
Term loan 1	**30,000,000**	**154,940,000**	**184,940,000**
Term loan 2	**74,316**	**-**	**74,316**
Bank overdraft	**10,265,009**	**-**	**10,265,009**
	40,339,325	**154,940,000**	**195,279,325**
As at 31 December 2016			
Term loan 1	20,000,000	184,940,000	204,940,000
Term loan 2	81,084	74,321	155,405
	20,081,084	185,014,321	205,095,405

Term loan 1:
Term loan 1 from First Abu Dhabi Bank represents the restructured agreement with the Bank to restructure the Group's previous loan to total amount of AED 227.1 million (net of a forgiven amount of AED 39.4 million, which is subject to the terms and conditions) as full and final settlement of the previous loan. The terms of the new loan are as follows:

- Interest rate: 3 months EIBOR + 1.5% per annum (subject to minimum rate of 4.75% per annum);
- Down payment of AED 22.76 million;
- 1st year payment: AED 20 million (semi-annual payments of AED 10 million);
- 2nd year till 5th year: AED 120 million (semi – annual payments of AED 15 million); and
- 6th year: AED 64.94 million (semi – annual payments of AED 32.47 million).

The above stated forgiven amount of AED 39.4 million is subject to the compliance with the payment schedule for both the principal and interest amounts.

The Group has provided First Abu Dhabi Bank with a primary mortgage over AKIC Tower, classified under investment properties, fair valued at AED 132.5 million (31 December 2016: AED 149 million)

During the fourth quarter, the Group has defaulted in the repayment of one of its loan installment. As per one of the covenant of the loan agreement the whole amount of the outstanding loan becomes immediately payable along with the previously forgiven amount of AED 39.4 million (plus interest) in the event of default of any repayment.

The bank has opened a bank overdraft facility in the name of the Group for the repayment of the due installments on which the group defaulted during the year. The outstanding overdraft balance as at 31 December 2017 amounted to AED 10.2 million (31 December 2016: AED Nil).-

Subsequent to the year-end, the Group has paid AED 3.3 million (principal) out of the total installment due of AED 10 million.

18 Bank borrowings (continued)

Term loan 2:
Term loan 2 is from a local bank and is repayable in monthly installments of AED 6,757 each up to November 2018. The loan carries interest at a rate of 5% per annum.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those, which cash flows were, or future cash flows will be, classified in the consolidated financial statements of cash flows as cash flows from financing activities.

	2017
	AED
At 1 January	**205,095,405**
Financing cash flows from repayment of borrowings	**(10,081,089)**
Finance costs accrual	**10,204,181**
Finance cost paid during the year	**(9,939,172)**
At 31 December	**195,279,325**

19 Related parties

Related parties comprise the major Shareholders, Directors and key management personnel of the Group and those entities in which they have the ability to control or exercise significant influence in financial and operation decisions.

Directors are expected to avoid any action, position or interest that conflict with an interest of the Company. Details of all transactions in which a Director and/or related parties might have actual or potential conflicts are provided to the Board of Directors for their review and approval. When a potential conflict of interest arises, Directors concerned neither participates in the discussions nor exercise any influence over other members of the Board. If a major shareholder or a Director has any conflict of interests with any matter to be considered by the Board of Director and the Board of Directors determines that such a matter is significant, the decision thereon by the Board of Directors shall be made in the presence of all Directors and in the absence of the interested Director's vote.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, being the directors, managing director and his direct reports.

	2017	2016
	AED	AED
Due from policyholders (note 10)	**2,980,173**	2,567,165

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

19 Related parties (continued)

The Group maintains significant balances with these related parties, which arise from commercial transactions as follows:

	2017 AED	2016 AED
Other receivables (note 11)	**3,359,041**	3,445,941
Provision for trade receivable (note 10)	**1,398,114**	-
Provision for other receivables (note 11)	**2,051,541**	-
Due to policyholders (note 16)	**11,422,742**	8,315

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

	2017 AED	2016 AED
Net premiums written	**2,980,173**	1,271,016
Claims paid	**11,422,742**	9,266,807
Directors' remuneration	**1,402,236**	255,000

The remuneration of the Board of Directors is subject to approval by the Shareholders and as per limits set by the UAE Federal Law No. (2) of 2015 concerning Commercial Companies.

	2017 AED	2016 AED
Remuneration of key management personnel		
Short term benefits	**7,803,469**	7,935,936
Post-employment benefits	**335,051**	477,897
	8,138,520	8,413,833

The remuneration of key management personnel is based on the remuneration agreed in their employment contract as approved by the Board of Directors.

20 Summary of actuary's report on the technical provisions

This Group writes short-term health, life and other general insurance lines of business (LOBs). No discounting of technical provisions was employed.

Earned Premiums are calculated by apportioning premiums using risk inception and termination dates on an exact daily basis. The unearned premium reserve (UPR) is calculated as the sum of earned premiums across all months after the valuation date. For the Marine Cargo Open Cover LOB, it is assumed that each policy is earned fully in the quarter following the quarter in which it was written. Hence, the total UPR at the end of a particular quarter will be equal to the written premium in that quarter. For the Engineering LOB, it is assumed that the pattern of risk is non-uniform and subsequently premiums are allocated and earned on a daily increasing basis over the term of the policy period. The UPR is calculated as the sum of earned premiums across all months after the valuation date. These are in line with the regulatory requirements stipulated in the Financial Regulations.

In the calculation of deferred acquisition cost and unearned commission income, commission expense and commission income are apportioned in the same way as is done for earned premiums and UPR for the relevant LOBs as described above.

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are set by claims technicians and established case setting procedures. Ultimate claims are estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder, Expected Loss Ratio, Bornhuetter-Ferguson and Cape Cod methods. The main assumption underlying these techniques is that the past claims development experience can be used to project future claims development and hence ultimate claims. As such, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. Incurred but not reported (IBNR) claims are estimated by subtracting outstanding claims provisions from ultimate claims estimates.

Claim development is separately analysed for each LOB. The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

The unallocated loss adjustment expense (ULAE) reserve makes an allowance for the future cost of settling current outstanding and IBNR claims. This ULAE percentage is derived from historical benchmarks obtained from carrying out expense analyses for other companies in the GCC.

The additional unexpired risk reserve (AURR) is calculated on a LOB level. In estimating the AURR, the prospective loss ratios, adjusted expense ratio and capital cost are estimated as at the valuation date. If the unexpired risk reserve is found to be higher than the unexpired premiums, an additional AURR is recommended.

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

21 Premium

	2017 AED	2016 AED
Gross premium written:		
Fire	**2,982,629**	7,846,675
Motor	**26,182,643**	109,518,335
Medical	**50,712,153**	92,816,218
Marine and aviation	**1,300,945**	1,045,434
Accident and others	**23,129,135**	25,582,650
	104,307,505	236,809,312
Reinsurance share of direct business premium:		
Fire	**2,752,523**	7,498,224
Motor	**2,732,737**	12,431,283
Medical	**5,365,033**	17,081,934
Marine and aviation	**1,078,826**	973,561
Accident and others	**21,491,356**	22,957,066
	33,420,475	60,942,068
Net written premium		
Fire	**230,106**	348,451
Motor	**23,449,906**	97,087,052
Medical	**45,347,120**	75,734,284
Marine and aviation	**222,119**	71,873
Accident and others	**1,637,779**	2,625,584
	70,887,030	175,867,244

22 Claims paid

	2017 AED	2016 AED
Gross claims paid:		
Fire	**3,584,076**	5,054,541
Motor	**79,470,930**	55,697,664
Medical	**75,587,831**	124,013,297
Marine and aviation	**9,764,363**	10,535,676
Accident and others	**16,571,211**	7,216,077
	184,978,411	202,517,255
Reinsurance share of claims paid:		
Fire	**3,454,893**	4,880,589
Motor	**392,342**	1,914,694
Medical	**9,980,404**	13,463,748
Marine and aviation	**9,414,556**	10,144,130
Accident and others	**15,967,764**	6,614,368
	39,209,959	37,017,529
Net claims paid:		
Fire	**129,183**	173,952
Motor	**79,078,588**	53,782,970
Medical	**65,607,427**	110,549,549
Marine and aviation	**349,807**	391,546
Accident and others	**603,447**	601,709
	145,768,452	165,499,726

23 Operating expenses

	2017 AED	2016 AED
Staff costs	**24,511,698**	23,267,499
Rent	**2,657,504**	7,346,188
Provision for doubtful receivables, net	**11,135,066**	1,261,788
Depreciation on property and equipment	**673,696**	680,899
Fees and licenses	**921,135**	1,479,413
Impairment of capital work in progress	**-**	5,145,916
Others	**4,304,991**	3,750,165
	44,204,090	42,931,868
Allocated to:		
Underwriting	**44,204,090**	38,211,663
Other expenses	**-**	4,720,205
	44,204,090	42,931,868

24 Net loss from investments

	2017 AED	2016 AED
Net fair value loss on investments at FVTPL (note 7)	**(51,616,278)**	(18,784,105)
Dividends from investments in securities	**6,965,868**	12,802,511
Interest on term deposits	**32,421**	30,534
Loss on sale of investment at FVTPL	**(4,978,680)**	-
Other investment loss – net	**(2,810,726)**	(817,172)
	(52,407,395)	(6,768,232)

25 Loss from investment properties

	2017 AED	2016 AED
Net fair value loss on investment properties (note 6)	**(20,004,000)**	(11,875,000)
Net income from investment properties (note 6)	**9,329,480**	11,130,148
	(10,674,520)	(744,852)

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

26 Loss for the year

Loss for the year is arrived after charging the following:

	2017 AED	2016 AED
Staff costs	**24,511,698**	23,267,499
Depreciation on property and equipment	**673,696**	680,899

27 Basic and diluted loss per share

Loss per share are calculated by dividing the loss for the year over the weighted average number of ordinary shares outstanding during the year as follows:

	2017	2016
Loss for the year (AED)	**(140,521,038)**	(77,701,478)
Weighted number of ordinary shares in issue throughout the year	**420,000,000**	420,000,000
Basic and diluted loss per share (AED)	**(0.335)**	(0.185)

As of 31 December 2017 and 2016, the Group has not issued any instruments that have an impact on earnings per share when exercised and accordingly diluted earnings per share are the same as basic earnings per share.

28 Segment information

For operating purposes, the Group is organised into two main business segments:

- Underwriting of general insurance business – incorporating all classes of general insurance such as; fire, marine, motor, medical, general accident and miscellaneous.
- Investments – Incorporating investments in marketable equity securities, term deposits with banks and investment properties and other securities.

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

28 Segment information (continued)

Primary segment information- business segment

The following is an analysis of the Group's revenue and results by operating segment:

	Underwriting		Investments		Total	
	2017	2016	**2017**	2016	**2017**	2016
	AED	AED	**AED**	AED	**AED**	AED
Segment revenue	**107,769,715**	239,581,482	**(63,081,915)**	(7,513,084)	**44,687,800**	232,068,398
Segment result	**(69,183,782)**	(65,729,510)	**(63,081,915)**	(12,233,289)	**(132,265,697)**	(77,962,799)
Unallocated expenses					**(8,255,341)**	261,321
Loss for the year					**(140,521,038)**	(77,701,478)

The following is an analysis of the Group's assets and liabilities by operating segment:

	Underwriting		Investments		Total	
	2017	2016	**2017**	2016	**2017**	2016
	AED	AED	**AED**	AED	**AED**	AED
Segment assets	**165,297,956**	247,327,097	**457,662,034**	568,031,559	**622,959,990**	815,358,656
Unallocated assets					**13,451,566**	55,649,026
Total assets					**636,411,556**	871,007,682
Segment liabilities	**303,591,776**	379,331,363	**199,304,319**	212,783,098	**502,896,095**	592,114,461
Unallocated liabilities					**18,034,036**	18,041,264
Total liabilities					**520,930,131**	610,155,725

There were no transactions between the business segments during the year.

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

28 Segment information (continued)

Secondary segment information-revenue from underwriting departments

The following is an analysis of the Group's revenues (gross written premiums and commission income) classified by major underwriting departments.

	2017 AED	2016 AED
Motor	**26,173,981**	109,655,205
Engineering	**5,002,474**	5,631,364
Fire and General Accidents	**24,043,144**	29,256,617
Marine and Aviation	**1,485,693**	1,704,705
Employee Benefits, Medical and Personal Assurance	**51,064,423**	93,333,591
	107,769,715	239,581,482

Geographical information

The Group's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe. All the investments of the Group are held in the UAE and other GCC countries.

Total revenues and total assets of the underwriting and investment segments by geographical location are detailed below:

	Revenue 2017 AED	Revenue 2016 AED	Total assets 2017 AED	Total assets 2016 AED
United Arab Emirates	**105,097,256**	236,881,413	**630,708,116**	824,499,037
Other GCC countries	**516,139**	1,182,476	**4,100,500**	44,552,550
Others	**2,156,320**	1,517,593	**1,602,940**	1,956,095
	107,769,715	239,581,482	**636,411,556**	871,007,682

29 Contingent liabilities and commitments

Commitments
The Group has a commitment to pay AED 9.2 million for a flat in a property under development in Dubai (note 5).

Contingent liabilities
At 31 December 2017, the Group had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 2.2 million (2016: AED 2.3 million).

29 Contingent liabilities and commitments (continued)

Other legal proceedings

The Group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

30 Insurance risk

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

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

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

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

30.1 Frequency aud severity of claims

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

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

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

30 Insurance risk (continued)

30.1 Frequency and severity of claims

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer net insurance losses of a set limit of AED 200,000 for motor, AED 500,000 for marine, AED 20,000 for medical and AED 750,000 for others in any one policy. The Group has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The concentration of insurance risk before and after reinsurance in relation to the type of general insurance risk that is accepted is summarized below, with reference to the net carrying amount of the related insurance liabilities (gross and net of reinsurance) arising from general insurance contracts.

	Technical provision by Type of risk					
2017	**Fire AED**	**Motor AED**	**Medical AED**	**Marine and aviation AED**	**Accident and others AED**	**Total AED**
Gross	**16,866,384**	**44,950,809**	**48,695,919**	**29,955,674**	**35,656,330**	**176,125,116**
Net	**1,000,212**	**38,141,704**	**45,637,459**	**1,919,444**	**4,261,340**	**90,960,159**
2016						
Gross	23,389,155	101,595,087	63,226,122	46,976,940	36,498,159	271,685,463
Net	1,450,133	90,440,928	51,509,670	2,701,607	4,139,652	150,241,990

30.2 Sources of uncertainty in the estimation of future claim payments

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

30 Insurance risk (continued)

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

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

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

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

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

The initial estimate of the loss ratios used for the current year before and after reinsurance are analysed below by type of risk where the insured operates for current and prior year premiums earned.

	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
Motor	**102%**	**105%**	102%	104%
Medical	**119%**	**131%**	121%	118%
Other lines	**94%**	**105%**	77%	5%

30.3 Process used to decide on assumptions

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

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

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

30 Insurance risk (continued)

30.4 Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an underwriting year basis for motor and non-motor:

31 December 2017 Underwriting year	**2013 and earlier AED' 000**	**2014 AED' 000**	**2015 AED' 000**	**2016 AED' 000**	**2017 AED' 000**	**Total AED' 000**
At the end of the underwriting year	78,895	28,851	606,012	124,906	62,608	n/a
One year later	661,912	45,567	154,870	160,851	-	n/a
Two years later	667,985	52,413	183,338	-	-	n/a
Three years later	632,488	60,945	-	-	-	n/a
Four years later	659,983	-	-	-	-	n/a
Current estimate of cumulative claims	659,983	60,945	183,338	160,851	62,608	1,127,725
Cumulative payments to date	(645,725)	(58,765)	(155,785)	(141,868)	(47,937)	(1,050,081)
Liability recognised in the consolidated statement of financial position	**14,258**	**2,180**	**27,554**	**18,983**	**14,671**	**77,644**

31 December 2016 Underwriting year	2012 and earlier AED' 000	2013 AED' 000	2014 AED' 000	2015 AED' 000	2016 AED' 000	Total AED' 000
At the end of the underwriting year	68,808	10,177	28,851	606,012	124,906	n/a
One year later	642,884	19,028	45,567	154,870	-	n/a
Two years later	642,083	25,902	52,413	-	-	n/a
Three years later	608,416	24,072	-	-	-	n/a
Four years later	630,917	-	-	-	-	n/a
Current estimate of cumulative claims	630,917	24,072	52,413	154,870	124,906	987,179
Cumulative payments to date	(622,558)	(20,047)	(46,995)	(111,408)	(64,094)	(865,102)
Liability recognised in the consolidated statement of financial position	8,359	4,025	5,418	43,462	60,812	122,077

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

30 Insurance risk (continued)

30.5 Concentration of insurance risk

The Group's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe.

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

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

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarised below:

		31 December 2017 Type of risk		
Territory		**Marine AED '000**	**Non-marine AED '000**	**Total AED '000**
UAE	Gross	**264,627**	**9,653,780**	**9,918,407**
	Net	**94,738**	**1,217,550**	**1,312,288**
GCC Countries	Gross	-	-	-
	Net	-	-	-
Others	Gross	-	**683,238**	**683,238**
	Net	-	**751**	**751**
Total	Gross	**264,627**	**10,337,018**	**10,601,645**
	Net	**94,738**	**1,218,301**	**1,313,039**

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30 Insurance risk (continued)

30.5 Concentration of insurance risk (continued)

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarised below:

		31 December 2016 Type of risk		
Territory		Marine AED '000	Non-marine AED '000	Total AED '000
UAE	Gross	293,815	36,490,236	36,784,051
	Net	53,129	845,613	898,742
GCC Countries	Gross	-	1,930	1,930
	Net	-	386	386
Others	Gross	-	537,268	537,268
	Net	-	751	751
Total	Gross	293,815	37,029,434	37,323,249
	Net	53,129	846,750	899,879

30.6 Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the loss of the Group amounts to AED 25 million for the year ended 31 December 2017 (2016: AED 27.5 million).

The Company has an overall risk retention level of 54% and the same is mainly contributed by non-motor and medical lines wherein the retention level is 86%. However, in this class the liabilities are covered by excess of loss reinsurance programs to guard against major financial impact.

30.7 Managing insurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

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

31 Financial instruments

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The risks that the Company primarily faces due to the nature of its investments and underwriting business are interest rate risk, foreign currency risk, and market price risk, credit risk and liquidity risk.

31.1 Capital risk management

The Group's objectives in managing its capital are:

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

31.2 Significant accounting policies

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

31.3 Categories of financial instruments

	2017	2016
	AED	AED
Financial assets		
AFS investments	**60,086,539**	64,936,033
Investments designated at FVTPL	**82,921,862**	168,466,719
Statutory deposit	**10,000,000**	10,000,000
Reinsurers' share of claims under settlement reserve	**58,352,827**	85,443,079
Insurance receivable	**66,452,797**	99,546,054
Other receivables and prepayments	**9,545,524**	15,691,384
Term deposits	**1,858,633**	1,829,807
Cash and cash equivalents	**13,451,566**	55,649,026
Total	**302,669,748**	501,562,102

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

31 Financial instruments (continued)

31.3 Categories of financial instruments

	2017 AED	2016 AED
Financial liabilities		
Gross claims under settlement reserve	**77,643,982**	122,076,612
Insurance payables	**104,281,246**	83,812,659
Other payables	**32,845,010**	32,454,193
Bank borrowings	**195,279,325**	205,095,405
Total	**410,049,563**	443,438,869

31.4 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group's result will be affected by changes in prevailing interest rates since it incurs significant interest on borrowings. A minor portion of its income derives from interest on investments and bank deposits.

The Group generally tries to minimise the interest rate risk by closely monitoring the market interest rates and investing in those financial assets in which such risk is expected to be minimal. The Group is exposed to cash flow interest rate risk as the bank borrowing carries interest at a floating rate.

Interest rate sensitivity analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the end of the reporting period.

If on the outstanding borrowings at 31 December 2017 the interest rates had been 1% higher/lower during the year with all other variables held constant, loss for the year would have been AED 1.9 million higher/lower (2016: AED 2.05 million higher/lower loss), mainly as a result of higher/lower interest expense on floating rate borrowings.

31.5 Market price risk management

Market price 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 is exposed to market price risk with respect to its quoted investments. 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.

31 Financial instruments (continued)

31.5 Market price risk management

Equity price risk sensitivity analysis

At the end of the reporting period, if the equity prices are 5% higher/lower as per the assumptions mentioned below and all the other variables were held constant:

- The Group's loss would (decrease)/increase by AED 3.9 million (2016: AED 8.4 million) as a result of the Group's portfolio of listed securities classified under fair value through profit and loss (FVTPL).
- The Group's fair value reserves would increase/(decrease) by AED 560 thousand (2016: AED 552 thousand) as a result of the Group's portfolio of listed securities classified as available-for-sale financial assets (AFS).

31.6 Foreign currency risk management

Foreign currency risk is the risk that the financial instrument will fluctuate due to change in foreign currency rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures.

Management believes that there is minimal risk of significant loss due to exchange rate fluctuations and consequently the Group does not hedge its foreign currency exposure.

The Group's main operations are currently in the United Arab Emirates and therefore have limited exposure to foreign exchange risk. The transactions and balances are denominated in either AED or in currencies which the AED is currently pegged to.

31.7 Credit risk management

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

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

- re-insurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from banks for its bank balances and term deposits.

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 the management annually.

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

31 Financial instruments (continued)

31.7 Credit risk management (continued)

The Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policy holders and groups of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous groups of policy holders, a financial analysis equivalent to that conducted for re-insurers is carried out by the Group. Details on concentration of amounts due from policy holders is disclosed in Note 10. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policyholders.

At 31 December 2017 and 2016, virtually all of the deposits were placed with 8 banks. Management is confident that this concentration of liquid assets at year end does not result in any credit risk to the Group as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

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

31.8 Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Bank facilities, the policy holders and the re-insurers, are the major sources of funding for the Company and the liquidity risk for the Group is assessed to be low. 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.

The tables below summarise the maturities of the Group's undiscounted financial liabilities as of 31 December 2017 and 2016 based on contractual payment dates.

Financial liabilities	**< 1 year AED**	**> 1 year AED**	**Total AED**
31 December 2017			
Gross claims under settlement reserve	**77,643,982**	-	**77,643,982**
Insurance and other payables	**137,126,256**	-	**137,126,256**
Bank borrowings	**40,339,325**	**154,940,000**	**195,279,325**
	255,109,563	**154,940,000**	**410,049,563**
31 December 2016			
Gross claims under settlement reserve	122,076,612	-	122,076,612
Insurance and other payables	116,266,852	-	116,266,852
Bank borrowings	20,081,084	185,014,321	205,095,405
	258,424,548	185,014,321	443,438,869

31 Financial instruments (continued)

31.8 Liquidity risk management (continued)

The maturity profile of financial assets as of 31 December 2017 and 2016 was as follows:

	Current AED	Non-current AED	Total AED
31 December 2017			
Statutory deposit	-	**10,000,000**	**10,000,000**
AFS investments	-	**60,086,539**	**60,086,539**
Investments designated at FVTPL	**82,921,862**	-	**82,921,862**
Reinsurers' share of claims under settlement reserve	**58,352,827**	-	**58,352,827**
Insurance and other receivables	**75,998,321**	-	**75,998,321**
Term deposits	**1,858,633**	-	**1,858,633**
Cash and cash equivalents	**13,451,566**	-	**13,451,566**
	232,583,209	**70,086,539**	**302,669,748**
31 December 2016			
Statutory deposit	-	10,000,000	10,000,000
AFS investments	-	64,936,033	64,936,033
Investments designated at FVTPL	168,466,719	-	168,466,719
Reinsurers' share of claims under settlement reserve	85,443,079	-	85,443,079
Insurance and other receivables	115,237,438	-	115,237,438
Term deposits	1,829,807	-	1,829,807
Cash and cash equivalents	55,649,026	-	55,649,026
	426,626,069	74,936,033	501,562,102

31.9 Fair value of financial instruments

While the Group prepares its consolidated statements under the historical cost convention modified for measurement to fair value of investments carried at fair value and investment properties, in the opinion of management, the estimated carrying values and fair values of financial assets and liabilities, that are not carried at fair value in the consolidated financial statements are not materially different, since assets and liabilities are either short term in nature or in the case of deposits, frequently repriced.

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

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

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

31 Financial instruments (continued)

31.9 Fair value of financial instruments

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy for the year ended 31 December 2017 and 2016:

31 December 2017	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
ASSETS MEASURED AT FAIR VALUE				
At fair value through profit or loss				
Quoted equity securities	**77,773,940**	-	-	**77,773,940**
Unquoted equity securities	-	-	**1,047,422**	**1,047,422**
Listed but suspended equity securities	-	-	**4,100,500**	**4,100,500**
	77,773,940	-	**5,147,922**	**82,921,862**
AFS financial assets				
Quoted equity securities	**11,211,110**	-	-	**11,211,110**
Unquoted equity securities	-	-	**48,875,429**	**48,875,429**
	11,211,110	-	**48,875,429**	**60,086,539**

31 December 2016	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
ASSETS MEASURED AT FAIR VALUE				
At fair value through profit or loss				
Quoted equity securities	122,780,074	-	-	122,780,074
Unquoted equity securities	-	-	1,134,095	1,134,095
Listed but suspended equity securities	-	-	44,552,550	44,552,550
	122,780,074	-	45,686,645	168,466,719
AFS financial assets				
Quoted equity securities	11,034,788	-	-	11,034,788
Unquoted equity securities	-	-	53,901,245	53,901,245
	11,034,788	-	53,901,245	64,936,033

31 Financial instruments (continued)

31.9 Fair value of financial instruments

Reconciliation of level 3 fair value measurements

	2017	2016
	AED	AED
Opening balance	**99,587,890**	115,728,596
Transfer out of level 3	**-**	(5,530,980)
Decrease in fair value	**(45,564,539)**	(10,609,726)
Closing balance	**54,023,351**	99,587,890

There is no transfer in level 2 fair value measurement (2016: one transfer into level 3 fair value measurement).

The following is a description of the determination of fair value for assets which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the assets.

Investments carried at fair value through profit or loss

Investments carried at fair value through profit or loss are mainly listed equity instruments in local as well as international exchanges. Valuations are based on market prices as quoted in the exchange.

Available for sale investments

The revaluation gains/losses of which are recognised through equity, comprise long term strategic investments in listed equities and companies. Listed equity valuations are based on market prices as quoted in the exchange. For companies, the financial statements provide the valuations of these investments, which are arrived at primarily by discounted cash flow analysis. Fair value of the unquoted ordinary shares has been estimated using DCF model and Price Earning Multiple basis valuation. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility and price earnings multiples. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

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

32 Events after reporting period

- Effective 1 January 2018, the United Arab Emirates has implemented Value Added Tax ("VAT") based on the Federal Law No. 8 of 2017 on VAT. During the year, the Company has completed its VAT impact assessment and VAT registration and it will start applying VAT starting 1 January 2018.

- Subsequent to year-end, the Abu Dhabi Court for Urgent Matters issued a court order to restrict the Group's balances with certain UAE banks up to AED 11.6 million due to the non-fulfillment of a claim settlement to a policyholder.

- Subsequent to year-end, the Company's Registration Certificates with Insurance Authority expired. As of the date of the issuance of these financial statements, these certificates have not yet been renewed by the Company.

- Further, subsequent to year-end, the Group has disposed one of its investment properties located in Al Ain for an amount of AED 16.3 million. The fair value of the property as at 31 December 2017 was AED 17.6 million.

33 Approval of consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 MAR 2018.