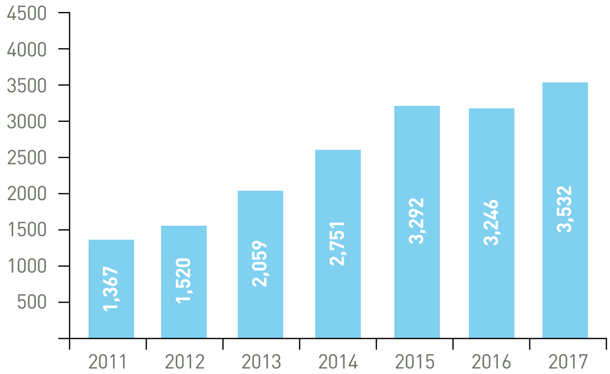
RATED STRONG
STANDARD &POOR'S
A

Financial Strength Rating
AM BEST
A Excellent

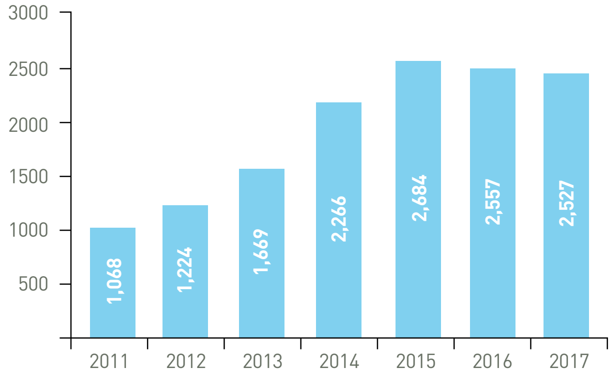
orient
orient insurance pjsc

ANNUAL REPORT 2017

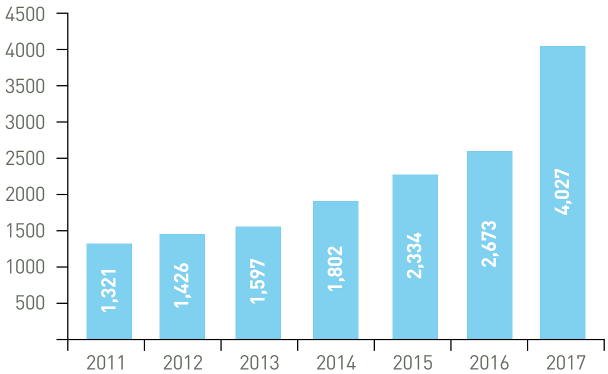
Total Investment
(Amount in AED Million)



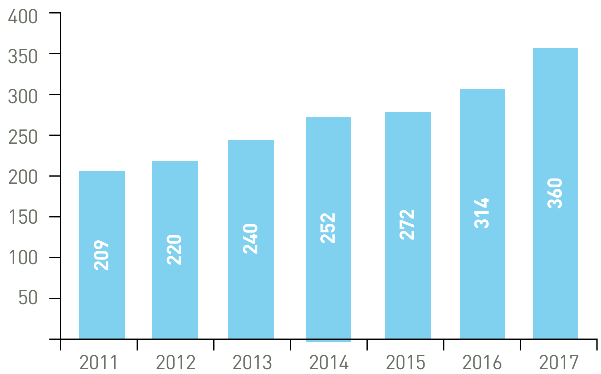
Shareholder's Equity
(Amount in AED Million)



Gross Premium
(Amount in AED Million)



Net Profit
(Amount in AED Million)



His Highness
SHEIKH KHALIFA BIN ZAYED AL NAHYAN
President of the United Arab Emirates,
Ruler of Abu Dhabi

His Highness
SHEIKH MOHAMMED BIN RASHID AL MAKTOUM
Vice President and Prime Minister
of the United Arab Emirates, Ruler of Dubai

Registration No. 14
Dated 29 December 1984
Under the provisions of Federal Law No [6] of 2007

HEAD OFFICE
Orient building
Al Badia Business Park
Dubai Festival City
P. O. Box 27966, Dubai, UAE
Tel: [04] 253 1300, Fax: [04] 253 1500

AUDITORS
ERNST & YOUNG

CONTENTS

DIRECTORS

BOARD OF DIRECTORS

Chairman	Abdulla Hamad Al-Futtaim (representative of Al-Futtaim Company (L.L.C.))
Vice Chairman	Omar Abdulla Al-Futtaim (representative of Al-Futtaim Development Services Co (L.L.C.))
Director	Khalid Abdulla Al-Futtaim (representative of Al-Futtaim Development Services Co (L.L.C.))
Director	Mira Omar Abdulla Hamad Al-Futtaim
Director	Ahmed Zaky Haroun (representative of Al-Futtaim Private Company (L.L.C.))

MANAGEMENT

President – Orient Group	Omer Hassan Elamin

SENIOR MANAGEMENT

Chief Operating Officer
Xavier Arputharaj - A.C.I.I

Executive Vice President - Technical
Rohana Alagiyage – F.C.I.I

Executive Vice President – Business Development
Muhamood Ahammed – B.Com, A.C.I.I

Executive Vice President – Medical
Wissam Khalifeh - F.L.M.I., Diploma in Actuarial Sciences

Executive Vice President - Abu Dhabi Region
Fadi Awni Al Ahmadi - P.I.C, A.C.I.I

Senior Vice President – Finance
B. Sundararajan- F.C.A, F.I.I.I, A.C.I.I

Senior Vice President – Operations Control
S. Raj Gopal – A.C.A, A.I.I.I

Senior Vice President – Overseas & Projects
Mono Mathew – F.C.A, D.I.S.A

Senior Vice President – Claims
Natarajan Ramesh - F.C.I.I, M.I.R.M

Senior Vice President – Human Resource & Admin.
Gilbert Espiritu – B.Sc. Psychology

Country Head – Oman
Sanjay P. Nair – F.I.I.I, A.C.I.I, Chartered Insurer

Country Head – Bahrain
Siva Ramakrishnan – M.Com, F.I.I.I

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Behind Hotel Hilton, Sharjah
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DIRECTORS' REPORT

BUSINESS OVERVIEW

2017 has been generally a good year compared to 2016. With the continuous increase in oil prices the market is regaining confidence and the different sectors of the economy are showing an improvement. However, real estate sector has shown a decline in both rents and prices due to an oversupply, which is expected to continue in 2018.

With such positive development, we expect much better performance in 2018 compared to 2017 and we are confident that such an improvement will reflect positively on the insurance industry.

INSURANCE MARKET

For sure, 2017 has been one of the best years for the insurance industry. The improvement of motor rates following the wise intervention of the Insurance Authority has reflected positively on the results of the motor business. The motor business has generally been a source of losses to the market since in general this business is taken to net account without reinsurance placement. Another factor that has boosted the positive results of the market is health insurance. The Dubai Health Authority mandatory health insurance law has entered its last stage in the third year where all residents of Dubai including dependents and domestic helpers are to be insured.

We hope that these good results will continue in 2018 with the improvement in the economy. However, we feel that there are signs of unhealthy competition towards the end of the year. The prices of individual medical, which was extremely profitable, has declined by almost 20%. Since medical is now the largest portfolio, any deterioration in the rates will impact severely the positive results of the market. There is also deterioration of rates in the 3rd quarter of 2017 in motor, increasing the fear of a return to the ill practices of the past.

We hope therefore that sanity will prevail although that might not happen in reality due to the large number of companies operating in the market.

ORIENT GROUP PERFORMANCE

2017 has been our best year ever. The group has increased its topline by 51% and the bottom line by 15%. This outstanding performance and growth is driven by an increase of premium across all lines of business but mostly by medical and life. For the first time in the UAE, Orient has crossed the milestone figure of AED 4 billion. Our market share is expected to increase when the results of the market are declared and we are hopeful that we will be leading by close to 20%.

ORIENT EXPANSION

We are continuing to look for opportunities to expand. The company has equity of AED 2.5 billion and total investments of AED 3.5 billion and a cash deposit of AED 2.24 billion. Such liquidity will enable the company to seize available opportunities in terms of acquisitions or establishing green field companies. The frequent Geopolitical instability in the region requires prudence in any overseas expansion in the current situation.

We have completed the establishment of our new takaful company in the UAE. Orient UNB Takaful has started its operation and is expected to generate a premium of about AED 200 million in its first full year of operation, supported by Al Futtaim and Union National Bank. We are hopeful that Orient UNB Takaful over the next 3 years will be able to capture a sizeable share in the takaful business in the UAE.

ORIENT INTERACTIVE RATING

The company has maintained its prestigious 'A' ratings from both AM Best and S&P. This continues to be the highest rating in the market and the region as well. Such high rating is a clear indication of our outstanding performance and the strong financial position of the company.

DIRECTORS' REPORT

REINSURANCE TREATIES

We have managed to renew all our treaties with improved terms and no change in the panel of reinsurers. 2017 has seen also the final payment of the substantial Address Hotel claim. The prompt payment of such large loss shows clearly the high quality reinsurance arrangements the company enjoys. Our relationship with our leader Swiss Re is getting stronger entering its 25th year of partnership.

2018 OUTLOOK

We are very optimistic about 2018 and as a reflection of this confidence we have budgeted a 10% increase on both top line and bottom line. We have continued to enhance our online selling capabilities. We are hopeful by the end of 2018 we will have all our products available online. This will not only help in increasing our market share but also reducing our management expense.

FINANCIAL HIGHLIGHTS

	2017 AED '000	2016 AED '000	% increase over 2016
Gross Premium Written	4,026,961	2,673,121	51%
Net Premium Written	1,245,762	868,510	43%
Net Claims Incurred	586,139	396,950	48%
Technical Profit	215,661	174,510	24%
Net Profit	360,263	313,847	15%
Share Capital	500,000	500,000	0%
Shareholders' Equity	2,526,880	2,556,753	-1%
Total Investments	3,532,303	3,245,655	9%

CONCULSION

We would like to thank our partners, valuable customers and brokers for the strong support we have received during 2017. We would like also to thank our employees for their loyalty, sincerity and dedication. We would like also to thank our Reinsurers for the continuous support given to the company and we look forward to enhancing further our relationship and cooperation with them.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ORIENT INSURANCE PJSC

OPINION

We have audited the consolidated financial statements of Orient Insurance PJSC (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Valuation of insurance contract liabilities and reinsurance assets
(refer to note 11 to the consolidated financial statements)

The Group has insurance contract liabilities stated at AED 3,113,502 thousand at 31st December 2017 (note 11) representing 75% of the Group's total liabilities. The estimation of insurance contract liabilities and reinsurance assets involves a significant degree of judgment. The liabilities are based on a best-estimate of the ultimate cost of all claims incurred but not settled at a given date. Range of methods are used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Reinsurance assets are recognised when the related gross insurance liability is recognised according to the terms of the relevant reinsurance contracts and their recoverability is subject to the probability of default and probable losses in the event of default by respective reinsurance counterparties.

How the Matter Was Addressed in the Audit
Risk outlined was addressed by us as follows:

- We evaluated and tested key controls around the claims handling and reserve setting processes of the Group along with the recognition and release of reinsurance assets. We examined evidence of the operation of controls over the valuation of individual claims reserves, such as large loss review controls and internal peer reviews (whereby reviewers examine documentation supporting claims reserves and consider if the amount recorded in the financial statements is valued appropriately).
- We checked samples of claims reserves and the respective share of reinsurance assets, through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ORIENT INSURANCE PJSC

- We reviewed management's reconciliation of the underlying company data recorded in the policy administration systems with the data used in the actuarial reserving calculations.
- We tied the insurance contract liabilities and reinsurance assets as recommended by the Group's actuary to the liabilities and assets in the consolidated financial statements.
- We assessed the experience and competency of the Group's actuary to perform the year-end valuation.
- We involved our actuarial specialist team members, to apply industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices.
- We obtained the reinsurance treaty summary for the year and verified the details in the summary to the respective agreements on samples basis.
- We reviewed the ratios of reinsurance assets to related insurance contract liabilities to identify any variance from reinsurance treaty arrangements.

Revenue recognition
(refer to note 11 to the consolidated financial statements)

Gross insurance written premiums comprise the total premiums receivable for the period of cover provided by contracts entered into during the accounting period, and are recognised on the date on which the policy commences. At the end of each year, a proportion of net retained premiums of the general insurance, medical and life businesses are provided for to cover portions of risk, which have not expired at the reporting date. Total reserve for the unexpired policy period as at the reporting date is AED 1,354,310 thousand (note 11) which is 33% of the Group's total liabilities. The reserves are required to be calculated in accordance with the requirements of the Insurance Law relating to insurance companies.

How the Matter Was Addressed in the Audit
Risk outlined was addressed by us as follows:

- We assessed whether the Group's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the premiums on insurance policies are accounted for on the date of inception of policies, by testing a sample of revenue items to insurance contracts, with a specific focus on transactions, which occurred near 31st December 2017.
- We evaluated the relevant IT systems and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period.
- We compared the unearned premiums reserve balance as per the consolidated financial statements to the reserve balance computed by the Group's actuary.
- We recalculated the unearned premium reserve based on the earning period of insurance contracts existing as of 31 December 2017.
- We also tested a risk-based sample of journal entries posted to revenue accounts to identify any unusual or irregular items, and we tested the reconciliations between the policy master file and its financial ledgers.

Impairment losses on insurance receivables
(refer to note 9 to the consolidated financial statements)

The Group has material amounts of trade receivables that are overdue and not impaired (as disclosed in note 9 to the consolidated financial statements). The key associated risk is the recoverability of receivables. The determination of the related provision is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.

How the Matter Was Addressed in the Audit
Risk outlined was addressed by us as follows

- We compared the historical provision for bad debts to the actual amounts written off, to determine whether the management's estimation techniques were reasonable.
- We considered the adequacy of provisions for bad debts for significant customers, taking into account specific credit risk assessments for each customer based on time past due, the existence of any disputes over the balance outstanding, the history of settlement of receivables and the existence of any liabilities with the same counterparties which reduce the net exposure.
- We discussed with management and reviewed correspondence, where relevant, to identify any disputes and assessed whether these were appropriately considered in the bad debt provision.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ORIENT INSURANCE PJSC

OTHER INFORMATION INCLUDED IN THE COMPANY'S 2017 ANNUAL REPORT

Management is responsible for the other information. Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2017 Annual Report after the date of our auditors' report.

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ORIENT INSURANCE PJSC

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

1. the Company has maintained proper books of account;
2. we have obtained all the information we considered necessary for the purposes of our audit;
3. the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015;
4. the financial information included in the Directors' report is consistent with the books of account of the Company;
5. investments in shares and stocks during the year ended 31 December 2017, are disclosed in note 8 to the consolidated financial statements;
6. note 22 reflects material related party transactions and the terms under which they were conducted;
7. based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position; and
8. note 4 reflects the social contributions made during the year.

EY
Building a better working world

Signed by:
Thodla Hari Gopal
Partner
Registration No.: 689

11th February 2018
Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2017

Assets	Notes	2017 AED'000	2016 AED'000
Property and equipment	6	**102,472**	107,491
Investment in an associate	7	**68,317**	70,000
Held to maturity investments	8	**105,618**	65,293
Available-for-sale investments	8	**1,310,672**	1,577,029
Investments carried at fair value through profit and loss	8	**11,378**	13,804
Insurance balances receivable	9	**696,462**	412,626
Statutory deposits	10	**53,296**	53,969
Insurance contract assets	11	**2,081,265**	2,581,702
Other receivables and prepayments	12	**56,381**	45,177
Bank deposits	13	**1,929,254**	1,347,827
Cash and cash equivalents	13	**251,844**	350,465
TOTAL ASSETS		**6,666,959**	6,625,383
EQUITY AND LIABILITIES **Equity attributable to equity holders of the Parent**			
Share capital	15	**500,000**	500,000
Statutory reserve	16	**125,000**	125,000
Legal reserve	16	**250,000**	250,000
Exceptional loss reserve	16	**201,927**	177,763
General reserve	16	**884,500**	658,664
Retained earnings		**30,570**	26,291
Available-for-sale reserve	16	**494,020**	782,907
Foreign currency translation reserve	16	**(86,151)**	(85,814)
Proposed dividends	17	**100,000**	100,000
		2,499,866	2,534,811
Non-controlling interest		**27,014**	**21,942**
Total equity		**2,526,880**	2,556,753
OTHER LIABILITIES			
Retirement benefit obligation	19	**20,248**	17,533
Reinsurance and other payables	20	**1,006,329**	769,471
		1,026,577	**787,004**
INSURANCE CONTRACT LIABILITIES			
Outstanding claims	11	**1,013,459**	1,921,525
Unearned premium reserve/premium collected in advance	11	**1,354,310**	963,926
Incurred but not reported reserve	11	**494,916**	227,543
Allocated loss adjustment expense reserve	11	**12,600**	16,254
Unallocated loss adjustment expense reserve	11	**12,925**	6,288
Mathematical reserve	11	**176,567**	120,154
Unit-linked funds' reserve	11	**48,725**	25,936
Total insurance contract liabilities		**3,113,502**	3,281,626
Total liabilities		**4,140,079**	4,068,630
TOTAL EQUITY & LIABILITIES		**6,666,959**	6,625,383

These consolidated financial statements were approved by the Board of Directors on 11th February 2018 and signed on its behalf by:

ABDULLA HAMAD AL-FUTTAIM
Chairman

OMAR ABDULLA AL-FUTTAIM
Vice Chairman

The attached notes 1 to 25 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31st December 2017

	Notes	2017 AED'000	2016 AED'000
Gross premiums written	11	**4,026,961**	2,673,121
Reinsurance share of ceded premiums	11	**(2,781,199)**	(1,804,611)
Net premium written		**1,245,762**	868,510
Net transfer to unearned premium reserve/mathematical reserve		**(207,044)**	(108,169)
Net premium earned		**1,038,718**	760,341
Commission income		**259,102**	185,780
Commission expense		**(269,845)**	(201,564)
Gross underwriting income		**1,027,975**	744,557
Gross claims paid		**2,905,297**	1,384,173
Reinsurance share of claims paid		**(2,463,047)**	(1,046,790)
Net claims paid		**442,250**	337,383
(Decrease)/increase in provisions for outstanding claims		**(903,258)**	803,537
Decrease/(increase) in reinsurance share of outstanding claims		**926,722**	(764,159)
Increase in incurred but not reported claims reserves		**113,548**	13,157
Increase in allocated and unallocated loss adjustment expense reserve		**6,877**	7,032
Net claims incurred		**586,139**	396,950
Net underwriting income		**441,836**	347,607
Income from investments	14	**139,769**	129,924
Share of loss from investment in an associate	7	**(2,383)**	-
Other income		**7,859**	11,317
Total income		**587,081**	488,848
General and administrative expenses		**(226,175)**	(173,097)
Profit before tax		**360,906**	315,751
Income tax expenses net of deferred taxes	5	**(643)**	(1,904)
Profit after tax		**360,263**	313,847
Attributable to:			
Equity holders of the parent		**354,958**	302,479
Non-controlling interests		**5,305**	11,368
		360,263	313,847
Basic and diluted earnings per share (AED) attributable to equity holders of the parent	21	**70.99**	60.50

The attached notes 1 to 25 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31st December 2017

	2017 AED'000	2016 AED'000
Profit after tax	**360,263**	313,847
Other comprehensive income		
Other comprehensive income to be reclassified to profit and loss in subsequent periods:		
Net unrealised loss from investments	**(288,887)**	(272,180)
Exchange difference on translation of foreign operations	**391**	(68,711)
Other comprehensive loss for the year	**(288,496)**	(340,891)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	**71,767**	**(27,044)**
Attributable to:		
Shareholders of the parent company	**65,734**	(8,577)
Non-controlling interests	**6,033**	(18,467)
	71,767	(27,044)

The attached notes 1 to 25 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2017

	2017 AED'000	2016 AED'000
PROFIT BEFORE TAX	**360,906**	315,751
Adjustments:		
Depreciation	**7,297**	7,999
Gain on sale of investments	**-**	(8)
Unrealised loss/(gain) on investments at fair value through profit or loss	**2,426**	(2,398)
Interest income	**(92,181)**	(77,372)
Dividend income	**(50,014)**	(50,146)
Share of associate's results	**2,383**	-
Loss/(gain) on sale of property and equipment	**4**	(16)
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	**230,821**	193,810
(Increase) /decrease in insurance receivables	**(283,836)**	34,511
Decrease/(increase) in insurance contract assets	**500,437**	(762,926)
Increase in other receivables and prepayments	**(7,645)**	(6,137)
Increase in reinsurance and other payable	**238,282**	105,555
Increase in insurance contract liabilities	**(168,124)**	845,454
Increase in retirement benefit obligations	**2,715**	1,804
Income tax paid	**(5,626)**	(6,593)
Net Cash flow from operating activities	**507,024**	405,478
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(2,428)**	(2,980)
Proceeds from sale of property and equipment	**-**	136
Interest income	**92,181**	77,372
Dividends received	**50,014**	50,146
Investment in an associate	**(700)**	(70,000)
Purchase of investment securities (net)	**(59,784)**	(21,366)
Movement in deposits with banks	**(580,754)**	(119,524)
Foreign exchange differences	**(2,925)**	81,149
Net Cash flow used in investing activities	**(504,396)**	(5,067)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders	**(100,000)**	(100,000)
Dividend paid to non-controlling interests	**(509)**	(606)
Statutory payments to employees	**(1,131)**	-
Net Cash flow used in financing activities	**(101,640)**	(100,606)
(Decrease)/increase in cash and cash equivalents	**(99,012)**	299,805
Balance as at 1st January	**350,465**	119,371
Movement in foreign currency translation reserve	**391**	(68,711)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**251,844**	350,465

The attached notes 1 to 25 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2017

	Attributable to shareholders of the parent											
	Share capital AED'000	Statutory reserve AED'000	Legal reserve AED'000	Exceptional loss reserve AED'000	General reserve AED'000	Retained earnings AED'000	Available-for-sale reserve AED'000	Foreign currency translation reserve AED'000	Proposed dividend AED'000	Total AED'000	Non-controlling interests AED'000	Total AED'000
At 1st January 2017	**500,000**	**125,000**	**250,000**	**177,763**	**658,664**	**26,291**	**782,907**	**(85,814)**	**100,000**	**2,534,811**	**21,942**	**2,556,753**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**354,958**	**-**	**-**	**-**	**354,958**	**5,305**	**360,263**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(288,887)**	**(337)**	**-**	**(289,224)**	**728**	**(288,496)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**354,958**	**(288,887)**	**(337)**	**-**	**65,734**	**6,033**	**71,767**
Transfers	**-**	**-**	**-**	**24,164**	**225,836**	**(250,000)**	**-**	**-**	**-**	**-**	**-**	**-**
Dividend paid (note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(100,000)**	**(100,000)**	**(509)**	**(100,509)**
Statutory payments to employees	**-**	**-**	**-**	**-**	**-**	**(679)**	**-**	**-**	**-**	**(679)**	**(452)**	**(1,131)**
Dividend proposed (note 17)	**-**	**-**	**-**	**-**	**-**	**(100,000)**	**-**	**-**	**100,000**	**-**	**-**	**-**
At 31st December 2017	**500,000**	**125,000**	**250,000**	**201,927**	**884,500**	**30,570**	**494,020**	**(86,151)**	**100,000**	**2,499,866**	**27,014**	**2,526,880**
At 1st January 2016	500,000	125,000	226,596	159,680	509,845	14,118	1,055,087	(46,938)	100,000	2,643,388	41,015	2,684,403
Profit for the year	-	-	-	-	-	302,479	-	-	-	302,479	11,368	313,847
Other comprehensive income for the year	-	-	-	-	-	-	(272,180)	(38,876)	-	(311,056)	(29,835)	(340,891)
Total comprehensive income	-	-	-	-	-	302,479	(272,180)	(38,876)	-	(8,577)	(18,467)	(27,044)
Transfers	-	-	23,404	18,083	148,819	(190,306)	-	-	-	-	-	-
Dividend paid (note 17)	-	-	-	-	-	-	-	-	(100,000)	(100,000)	(606)	(100,606)
Dividend proposed (note 17)	-	-	-	-	-	(100,000)	-	-	100,000	-	-	-
At 31st December 2016	500,000	125,000	250,000	177,763	658,664	26,291	782,907	(85,814)	100,000	2,534,811	21,942	2,556,753

The attached notes 1 to 25 form part of these consolidated financial statements

orient insurance pjsc and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at 31st December 2017

1. CORPORATE INFORMATION

Orient Insurance PJSC was incorporated with limited liability on 22nd July 1980 in the Emirate of Dubai by a decree of His Highness The Ruler of Dubai and commenced operations on 1st January 1982. The Company was registered in accordance with the UAE Federal Law No.(9) of 1984, as amended, ("The Insurance Companies Law") on 29th December 1984 with registration No.14. On 2nd May 1988 the Company was converted into a public shareholding company in accordance with the requirements of the Insurance Companies Law and has been registered under UAE Federal Law No.(2) of 2015, as amended, relating to commercial companies. The shares of the Company are listed on the Dubai Financial Market. The Company is subject to the regulations of UAE Federal Law No. 6 of 2007, on Establishment of Insurance Authority and organisation of its operations. The registered address of the Company is P.O. Box 27966, Dubai, United Arab Emirates. The holding company of the Group is Al Futtaim Development Services Company, which is based in Dubai, United Arab Emirates and has a significant influence over the Group. The ultimate holding company of the Group is Al Futtaim Private Company, which is based in Dubai, United Arab Emirates.

The Company engages in the business of issuing short term insurance contracts in connection with Property, Engineering, Motor, Marine, Miscellaneous Accidents and Medical (collectively referred as General Insurance) and Group Life and Individual Life classes (collectively referred as Life Insurance). The Company also invests its funds in investment securities and deposits with financial institutions.

The Company has established subsidiary companies in Syria, Egypt, Sri Lanka, Turkey and has branches in Sultanate of Oman and Bahrain.

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

2.1 BASIS OF PREPARATION

Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for available-for-sale (AFS) financial assets and Investments carried at fair value through profit or loss that have been measured at fair value. The consolidated financial statements have been presented in UAE Dirhams and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

The Group presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of UAE Federal Law No. (2) of 2015.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31st December 2017. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company with the exception of Orient Takaful Insurance Company (S.A.E) – Egypt, a subsidiary, whose year end is 30th June and hence the Group uses their reviewed 12 months accounts as at 31st December. Consistent accounting policies are applied to like transactions and events in similar circumstances. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The Group comprises of the Company and the under-mentioned subsidiary companies and an associate.

Subsidiaries	Principal activity	Country of incorporation	Ownership 2017	2016
Arab Orient Insurance Company	General insurance	Syria	40%	40%
Orient Takaful Insurance Company (S.A.E)	General insurance	Egypt	60%	60%
Orient Insurance Limited	General insurance	Sri Lanka	100%	100%
Orient Sigorta Anonim Sirketi	General insurance	Turkey	100%	100%

Associate	Principal activity	Country of incorporation	Ownership 2017	2016
Orient UNB Takaful PJSC	Takaful insurance	UAE	35%	35%

If the Group loses control over a subsidiary, it:

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

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations effective after 1st January 2017

The following new and revised IFRSs have been applied in the current period in these consolidated financial statements. Their adoption had no significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IAS 7: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided disclosure for the same in note 23.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
The amendments clarify that an entity needs to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount.

The Group applied the amendments. However, their application has no effect on the Group's financial position and performance as the Group's accounting policy has been consistent with the amendments.

Annual Improvements Cycle - 2014-2016: Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or associate) that is classified (or included in a disposal group that is classified) as held for sale. During 2017 and 2016, the Group had no interests classified as such, and therefore these amendments did not affect the Group's financial statements.

New standards and interpretations not yet effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31st December 2017, with the Group not opting for early adoption. These have, therefore, not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

In September 2017, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The Group plans to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of 1st January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendments.

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

The amendments to IFRS 4 introduced two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1st January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1st April 2017. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

The Group decided to apply the temporary exemption.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1st January 2018. The Group shall apply IFRS 15 on a modified retrospective basis. Given insurance contracts are scoped out of IFRS 15, the Group expects the main impact of the new standard to be mainly on the accounting for income from administrative and investment management services. The Group does not expect the impact to be significant.

IFRS 16 Leases

IFRS 16 was issued in January 2017 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

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

IFRS 16 is effective for annual periods beginning on or after 1st January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1st January 2018, with early application permitted. The amendments do not have impact on the consolidated financial statements of the Group as it does not have any share based payments.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short- duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Group plans to adopt the new standard on the required effective date together with IFRS 9. The Group expects that the new standard may result in an important change to the accounting policies for insurance contract liabilities of the Group and it is in the process of assessing the impact of the new standard on profit and equity in presentation and disclosure.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Judgements

Classification of investments
Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, fair value though profit or loss or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Group has the intention and ability to hold these to maturity.

The Group classifies investments as held for trading if they are acquired primarily for the purpose of making a short-term profit.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

All other investments are classified as available-for-sale.

Operating lease commitments-group as lessor
The Group has entered into commercial property lease on its property and equipment. The Group, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of its property and so accounts for them as operating leases.

Estimates & assumptions

Impairment losses on available for sale investments
The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Impairment losses on held-to-maturity investments
The Group reviews its individually significant held-to-maturity investments at each statement of financial position date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Impairment losses on receivables
Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the inability to pay all amounts due as per contractual terms.

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is

satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

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

Provision for outstanding claims, whether reported or not
Considerable judgment by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

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

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported regularly.

All insurance contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Revenue recognition

Insurance premium revenue
Gross premiums
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. The proportion attributable to subsequent periods is deferred as unearned premium reserve.

Reinsurance premiums
Reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include third party administration charges and any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Commission income
Commission income on policies written is recognised at the time the reinsurance premium is ceded.

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

Other income

- Dividend income is accounted for when the right to receive payment is established.
- Rental income is recognised as income over the period to which it relates.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries made are charged to consolidated statement of income as incurred.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition a provision based on management's judgement, the Group's prior experience and expected loss ratio is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the consolidated statement of income for that year. Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in consolidated statement of income.

Commission expenses

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the consolidated statement of income when incurred.

Leases

Group as a lessee
The Group has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Foreign currencies

The Group's consolidated financial statements are presented in UAE Dirhams, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or statement of income are also recognised in other comprehensive income or statement of income, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

ii) Group companies
On consolidation, the assets and liabilities of foreign operations are translated into UAE Dirham at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised

in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are 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 income during the financial period in which they are incurred.

Freehold land and fixed assets not commissioned are not depreciated. The estimated useful life of fixed assets for the Group is as follows:

Building	25 years
Furniture and fixtures	4 to 7 years
Office equipment	3 to 5 years
Motor vehicles	5 years

Assets are depreciated on a straight-line basis over their estimated useful lives as given above.

Fixed assets not commissioned are stated at cost. When commissioned, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Group's policies.
Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

Financial assets

Initial recognition and measurement
Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets or liabilities designated at fair value through profit or loss or available-for-sale assets are recognised. Receivables are recognised on the day they are transferred to or acquired by the Group.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances, term deposits, account receivables, insurance receivables and quoted/unquoted financial instruments.

Subsequent measurement
A financial asset or a financial liability is recognised initially at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.
Subsequent to initial recognition, all financial assets at fair value through profit or loss and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be measured reliably is stated at cost including transaction costs less impairment allowances.

All other financial assets and non-trading financial liabilities are measured at amortised cost less impairment allowances.

Derecognition
The Group derecognises financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of the ownership of the financial assets are transferred. Any interest in

derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Insurance receivables

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

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Impairment of financial assets

An assessment is made at each statement of consolidated financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets (excluding goodwill)

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

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

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.
All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include reinsurance and other payables and insurance contracts liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through income statement
Financial liabilities at fair value through income statement include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through income statement.
Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.
This category includes derivative financial instruments entered into by the Group that are not designated as hedging

instruments in hedge relationships as defined by IAS 39. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The Group has not designated any financial liabilities upon initial recognition as at fair value through income statement.

Insurance contract liabilities

Unearned premium reserve
The unearned premium reserve represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. Unearned premiums relating to general and group life insurance business are computed on a daily pro-rata basis. The unearned premium reserve so calculated is at least equal to the minimum stipulated in the Insurance Laws of the respective region.

Mathematical reserve/Unit-linked funds' reserve
Reserve created for long term insurance contracts (Insurance of Persons and Fund Accumulation operations products more than one year) to cover all future claim liabilities as determined by the Actuary as required by Article 44 of the UAE Insurance Companies Law and Insurance Laws of the respective countries where subsidiaries are registered.

Advance premium
When non-life insurance policies are issued for a period exceeding one year, the proportion of the premium for the period beyond one year is accounted as advance premium and classified under insurance liabilities.

Allocated Loss Adjustment Expense (ALAE)/Unallocated Loss Adjustment Expense (ULAE)
These represent future claim expenses and related handling costs. The ALAE reserve is for expenses and costs those can be assigned to a specific claim. The ULAE reserve is for all other overhead expenses and costs those cannot be assigned to a specific claim.

Outstanding claims
Outstanding claims are recognised when claims are intimated. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, including claims incurred but not reported (IBNR) together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the statement of financial position date. The liability is not discounted for the time value of money. The liability is derecognised when the contract expires, is discharged or is cancelled.

Deferred acquisition cost (DAC)
Commissions that vary with and are related to the acquisition of new investment and insurance contracts are treated as prepayments (DAC) to the extent that the commission relates to the future provision of services by the parties to whom payments are made, when the degree of completeness of the service can be reliably measured and the Group is confident of future economic benefit from the introduction acquired. Prepaid commission is expensed through consolidated statement of income over a period determined by policy features chosen by the contract holder introduced in return for the commission payment. The periods over which it is expensed range from six to sixty months. Commissions for which liability arises on completion of a significant act without the expectation of the delivery of further services are recognised in expenses when incurred. For investment contract introductions where costs are deferred, no costs are deferred beyond the point at which the introducer is considered to have fulfilled his contractual obligations and is not expected or obliged to perform further services.

Other payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods and services rendered, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

The Group provides end of service benefits to its employees employed in the UAE in accordance with the UAE Labour Law and for employees employed in the foreign branches of the Group and subsidiary companies in accordance with the respective region's labour Law. The entitlement of these benefits is based upon employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to a pension or social security fund established by the respective countries, calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Interest expense

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

Liability adequacy test

At each statement of financial position date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision created. The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Reinsurance contracts held

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. These amounts are shown as "reinsurance assets" in the statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to "insurance receivables".

Gains or losses on buying reinsurance are recognised in the consolidated statement of income immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policy holders.

At each reporting date, the Group assesses whether there is any indication that a reinsurance asset may be impaired. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognised in the consolidated statement of income.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is legally enforceable right to offset the recognised amounts, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by an accounting standard or interpretation.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

For financial instruments traded in active markets, fair value at each reporting date is determined by reference to Stock Exchange quoted market bid prices, without any deduction for transaction costs.

For financial instruments not traded in active market, fair value is determined by reference to the current market value of a similar instrument, recent arm's length market transactions or is based on the expected discounted cash flows or any other valuation model.

Segment reporting

The Group's segmental reporting is based on the following operating segments: General insurance, Life assurance and Investment segment.

a) The general insurance segment comprises both general insurance and health insurance to individuals and businesses. General insurance products offered include motor, marine, fire, engineering, energy, general accident and medical. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident, e.g., employee liability claims and asbestos. Non-life healthcare contracts provide medical cover to policyholders. Revenue in this segment is derived primarily from insurance premiums and commission income.
b) The life insurance segment offers individual and group life insurance. Revenue from this segment is derived primarily from insurance premium and commission income.
c) The investment segment includes investment in equity, fixed income securities such as bonds and fixed deposits and other income.

Product classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expires. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes significant.

Investment contracts
The Group issues investment contracts without fixed and guaranteed terms (unit-linked). Premium received and claims paid on these contracts are not recognised in the consolidated income statement but are treated as movements in the consolidated statement of financial position. All subsequent movements in respect of investment contract financial liabilities are included in "Available-for-sale reserve" under the statement of changes in equity. The financial liabilities are measured at current unit investment contract value, which reflects the fair value of the assets of the funds.

If the investment contract is subject to a surrender option, exercisable at the discretion of the investment contract holder rather than the Group, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

Investment contract liabilities
The Group does not have any investment contracts or any insurance contracts with Discretionary Participation Features (DPF).

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment contract liabilities are measured at fair value through other comprehensive income.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the consolidated statement of financial position and are not recognised as gross premium in the consolidated income statement.

Fair value adjustments are performed at each reporting date and are recognised in the consolidated statement of other comprehensive income in "Net unrealised gain on available -for- sale investments". For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit prices at the reporting date are valued on a fair value basis adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the consolidated statement of financial position as described above.

3 SEGMENT INFORMATION

Identification of reportable segments
For management purposes the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

- The general insurance segment comprises motor, marine, fire, engineering, general accident and medical.
- The life segment includes individual and group life insurance.
- Investment comprises investment and cash management for the Group's own account.

Transactions between operating segments are conducted at estimated market rates. Operating segment information is presented below:

3.1 SEGMENTAL INCOME, EXPENSES AND RESULTS

	General Insurance		Life Insurance		Total	
	2017 AED'000	2016 AED'000	**2017 AED'000**	2016 AED'000	**2017 AED'000**	2016 AED'000
Total premiums written	**3,639,829**	2,368,120	**387,132**	305,001	**4,026,961**	2,673,121
Gross underwriting income	**936,133**	666,699	**91,842**	77,858	**1,027,975**	744,557
Net underwriting income	**389,143**	293,305	**52,693**	54,302	**441,836**	347,607
General and administration expenses	**(188,040)**	(138,242)	**(38,135)**	(34,855)	**(226,175)**	(173,097)
Net technical profit	**201,103**	155,063	**14,558**	19,447	**215,661**	174,510
Investment and other income					**145,245**	141,241
Profit Before Tax					**360,906**	315,751
Income tax expenses net of deferred taxes					**(643)**	(1,904)
Profit After Tax					**360,263**	313,847

3.2 SEGMENTAL ASSETS & LIABILITIES

	General Insurance		Life Insurance		Investments		Total	
	2017 AED'000	2016 AED'000	**2017 AED'000**	2016 AED'000	**2017 AED'000**	2016 AED'000	**2017 AED'000**	2016 AED'000
Segmental assets	**2,871,087**	3,258,690	**317,337**	238,771	**3,478,535**	3,127,922	**6,666,959**	6,625,383
Segmental liabilities	**3,618,612**	3,738,195	**521,467**	330,435	**-**	-	**4,140,079**	4,068,630
Capital expenditure	**2,413**	2,889	**15**	91	**-**	-	**2,428**	2,980
Depreciation	**7,025**	7,584	**272**	415	**-**	-	**7,297**	7,999

4 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2017 AED'000	2016 AED'000
Staff costs	**141,660**	126,477
Rental costs – Operating leases	**6,180**	6,218

During the year the Company has not made any social contribution.

5 TAXES

The Group entities operate in the Sultanate of Oman, Egypt, Sri Lanka, Turkey & Syria and are subject to income tax in these countries.

A reconciliation of accounting profit to tax charge has not been presented as the majority of the Group's operations are in the UAE and are not subject to a charge of tax.

The component of taxes recognised in the consolidated statement of income is as follows:

	2017 AED'000	2016 AED'000
Current income tax expenses	**4,202**	4,657
Deferred taxes	**(3,559)**	(2,753)
	643	1,904

Movements in the income tax payable recognised in the consolidated statement of financial position are as follows:

	2017 AED'000	2016 AED'000
Provision as at 1st January	**1,724**	5,111
Provided during the year	**4,202**	4,657
Taxes paid during the year	**(5,626)**	(6,593)
Exchange differences	**11**	(1,451)
Balance as at 31st December	**311**	1,724

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

6 PROPERTY AND EQUIPMENT

2017	Land AED'000	Building AED'000	Office equipments, furniture and fixtures AED'000	Motor vehicles AED'000	Total AED'000
Cost:					
At 1st January 2017	20,000	96,456	27,932	2,055	146,443
Additions	-	-	2,213	215	2,428
Disposals	-	-	(34)	-	(34)
Foreign exchange differences	-	-	(251)	(7)	(258)
At 31st December 2017	**20,000**	**96,456**	**29,860**	**2,263**	**148,579**
Depreciation:					
At 1st January 2017	-	19,364	18,708	880	38,952
Charge for the year	-	3,858	3,047	392	7,297
Relating to disposals	-	-	(30)	-	(30)
Foreign exchange differences	-	-	(114)	2	(112)
At 31st December 2017	**-**	**23,222**	**21,611**	**1,274**	**46,107**
Net carrying amount:					
At 31st December 2017	**20,000**	**73,234**	**8,249**	**989**	**102,472**

2016	Land AED'000	Building AED'000	Office equipments, furniture and fixtures AED'000	Motor vehicles AED'000	Total AED'000
Cost:					
At 1st January 2016	20,000	96,456	37,555	2,088	156,099
Additions	-	-	2,203	777	2,980
Disposals	-	-	(71)	(326)	(397)
Foreign exchange differences	-	-	(11,755)	(484)	(12,239)
At 31st December 2016	20,000	96,456	27,932	2,055	146,443
Depreciation:					
At 1st January 2016	-	15,506	20,858	1,055	37,419
Charge for the year	-	3,858	3,777	364	7,999
Relating to disposals	-	-	(69)	(208)	(277)
Foreign exchange differences	-	-	(5,858)	(331)	(6,189)
At 31st December 2016	-	19,364	18,708	880	38,952
Net carrying amount:					
At 31st December 2016	20,000	77,092	9,224	1,175	107,491

7 INVESTMENT IN AN ASSOCIATE

The investment in an associate represents a 35% interest in Orient UNB Takaful PJSC, a public shareholding company registered and incorporated in UAE. The associate commenced its commercial operations in 2017. The principal activity of the associate is issuance of short-term takaful contracts in connection with accidents and liabilities insurance, fire insurance, transportation risk insurance, other type of insurance and health insurance. The associate also invests its funds in deposits.

Following is the movement in investment in the associate.

	2017 AED'000	2016 AED'000
Balance as at 1st January	**70,000**	-
Invested during the year	**-**	70,000
Additional contribution during the year	**700**	-
Share of losses	**(2,102)**	-
Share of preincorporate expenses	**(281)**	-
Balance as at 31st December	**68,317**	70,000

8 INVESTMENT SECURITIES

2017	Held for trading AED'000	Held to maturity AED'000	Available-for-sale AED'000	Total AED'000
Equity securities				
Within UAE (Listed)	**11,378**	**-**	**1,020,774**	**1,032,152**
Within UAE (Not listed)	**-**	**-**	**259,780**	**259,780**
Outside UAE (Not listed)	**-**	**-**	**18,777**	**18,777**
Total equity securities	**11,378**	**-**	**1,299,331**	**1,310,709**
Total other invested assets	**-**	**105,618**	**11,341**	**116,959**
Total	**11,378**	**105,618**	**1,310,672**	**1,427,668**

2016	Held for trading AED'000	Held to maturity AED'000	Available-for-sale AED'000	Total AED'000
Equity securities				
Within UAE (Listed)	13,804	-	1,292,159	1,305,963
Within UAE (Not listed)	-	-	260,809	260,809
Outside UAE (Not listed)	-	-	9,273	9,273
Total equity securities	13,804	-	1,562,241	1,576,045
Total other invested assets	-	65,293	14,788	80,081
Total	13,804	65,293	1,577,029	1,656,126

Total other invested assets refer to the amount invested in treasury bills and government bonds.

9 INSURANCE BALANCE RECEIVABLES

	2017 AED'000	2016 AED'000
Inside UAE		
Due from policyholders	**513,661**	310,797
Due from insurance/reinsurance companies	**32,167**	21,880
	545,828	332,677
Outside UAE		
Due from policyholders	**67,359**	51,050
Due from insurance/reinsurance companies	**103,822**	46,087
	171,181	97,137
Gross insurance balance receivable	**717,009**	429,814
Less: Allowance for doubtful debts	**(20,547)**	(17,188)
Net insurance balance receivable	**696,462**	412,626

Movement in the provision for doubtful debts during the year was as follows:

	2017 AED'000	2016 AED'000
Balance at 1st January	**17,188**	19,540
Movement during the year	**3,359**	(2,352)
	20,547	17,188

10 STATUTORY DEPOSITS

	2017 AED'000	2016 AED'000
a) Statutory deposit that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No.6 of 2007	**10,000**	10,000
b) Amounts under lien with Capital Market Authority, Sultanate of Oman	**18,801**	18,155
c) Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**494**	478
d) Amounts under lien with Insurance Authority Syria	**178**	178
e) Amounts under lien with Egyptian Financial Supervisory Authority	**13,953**	17,486
f) Amounts under lien with Turkish Treasury	**9,141**	6,943
g) Amounts under lien with Central Bank of Bahrain	**729**	729
	53,296	53,969

11 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	Gross		Reinsurers' share		Net	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Gross premiums	**4,026,961**	2,673,121	**(2,781,199)**	(1,804,611)	**1,245,762**	868,510
Movement in provision for unearned premiums/ mathematical reserve	**(567,955)**	(10,183)	**360,911**	(97,986)	**(207,044)**	(108,169)
Insurance premium revenue	**3,459,006**	2,662,938	**(2,420,288)**	(1,902,597)	**1,038,718**	760,341

	Gross		Reinsurers' share		Net	
	2017 AED'000	2016 AED'000	**2017 AED'000**	2016 AED'000	**2017 AED'000**	2016 AED'000
Unearned premium reserve	**1,354,310**	870,872	**(934,199)**	(563,786)	**420,111**	307,086
Premiums collected in advance*	**-**	93,054	**-**	(78,528)	**-**	14,526
Mathematical reserve	**176,567**	120,154	**(17,109)**	(28,102)	**159,458**	92,052
Unit-linked funds' reserve	**48,725**	25,936	**-**	-	**48,725**	25,936
	1,579,602	1,110,016	**(951,308)**	(670,416)	**628,294**	439,600
Outstanding claims	**1,013,459**	1,921,525	**(791,758)**	(1,723,018)	**221,701**	198,507
Incurred but not reported reserve	**494,916**	227,543	**(328,117)**	(174,292)	**166,799**	53,251
Allocated loss adjustment expense reserve	**12,600**	16,254	**(10,082)**	(13,976)	**2,518**	2,278
Unallocated loss adjustment expense reserve	**12,925**	6,288	**-**	-	**12,925**	6,288
	1,533,900	2,171,610	**(1,129,957)**	(1,911,286)	**403,943**	260,324
	3,113,502	3,281,626	**(2,081,265)**	(2,581,702)	**1,032,237**	699,924

*Premiums collected in advance are classified with unearned premium reserve in 2017.

Outstanding Claims

	2017			2016		
	Gross AED'000	**Reinsurers' share AED'000**	**Net AED'000**	Gross AED'000	Reinsurers' share AED'000	Net AED'000
At 1st January	**2,171,610**	**(1,911,286)**	**260,324**	1,253,983	(1,012,376)	241,607
Insurance claims paid	**(2,905,297)**	**2,463,047**	**(442,250)**	(1,384,173)	1,046,790	(337,383)
Claims incurred	**2,272,395**	**(1,686,256)**	**586,139**	2,385,433	(1,988,483)	396,950
Exchange differences	**(4,808)**	**4,538**	**(270)**	(83,633)	42,783	(40,850)
At 31st December	**1,533,900**	**(1,129,957)**	**403,943**	2,171,610	(1,911,286)	260,324

Claims development table - Gross

The following table reflects the cumulative incurred claims, including both claims notified and claims incurred but not reported (IBNR) for each successive accident year at each statement of financial position date, together with cumulative payments to date:

Accident year	Before 2014 AED' 000	2014 AED' 000	2015 AED' 000	2016 AED' 000	2017 AED' 000	Total AED' 000
At the end of accident year	-	661,837	1,466,894	1,565,231	2,071,843	
One year later	-	704,341	2,246,113	1,688,087	-	
Two years later	-	694,148	2,314,328	-	-	
Three years later	-	694,161	-	-	-	
Four years later	4,599,164	-	-	-	-	
Current estimate of cumulative claims	**4,599,164**	**694,161**	**2,314,328**	**1,688,087**	**2,071,843**	
At the end of accident year	-	(385,402)	(510,781)	(947,225)	(1,284,603)	
One year later	-	(612,265)	(864,417)	(1,370,652)	-	
Two years later	-	(640,577)	(2,034,164)	-	-	
Three years later	-	(651,194)	-	-	-	
Four years later	(4,493,070)	-	-	-	-	
Cumulative payments to date	**(4,493,070)**	**(651,194)**	**(2,034,164)**	**(1,370,652)**	**(1,284,603)**	
Total gross outstanding claims	**106,094**	**42,967**	**280,164**	**317,435**	**787,240**	**1,533,900**

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks, which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

Life Insurance

Mortality and morbidity rates
Assumptions are based on the reinsurance rates provided by the reinsurer, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. Being on the conservative side, no allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the Group.

Investment return
The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the Group.

Expenses
Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the Group.

Lapse and surrender rates
Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

General Insurance

The Group principally issues the following types of general insurance contracts: marine, fire, engineering, general accident and medical. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under general insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and on-going claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

12 OTHER RECEIVABLES AND PREPAYMENTS

	2017 AED'000	2016 AED'000
Receivable from employees	**2,063**	1,001
Refundable deposits	**5,129**	2,956
Prepayments	**21,191**	17,976
Others	**27,998**	23,244
	56,381	45,177

13 BANK BALANCES AND CASH

	2017 AED'000	2016 AED'000
Bank balances and cash	**198,076**	232,732
Deposits with banks maturing within three months	**53,768**	117,733
Cash and cash equivalents	**251,844**	350,465
Term deposits	**1,929,254**	1,347,827
	2,181,098	1,698,292
Banks in UAE	**1,942,411**	1,531,839
Banks outside UAE	**238,687**	166,453
Total	**2,181,098**	1,698,292

Bank balances include AED 8,216 thousand (2016: AED nil) under lien against the bank guarantees. Interest on deposit with banks at fixed rates range from 0.026% -16.25% (2016: 0.8% - 13.2%) per annum.

14 INCOME FROM INVESTMENTS

	2017 AED'000	2016 AED'000
Interest income	**92,181**	77,372
Dividend income	**50,014**	50,146
Gain on sale of investment carried at fair value through profit or loss	**-**	8
Fair value (loss)/gain on investments carried at fair value through profit or loss	**(2,426)**	2,398
	139,769	129,924

15 SHARE CAPITAL

	2017 AED'000	2016 AED'000
Issued and fully paid 5,000,000 shares of AED 100 each		
(2016: 5,000,000 shares of AED 100 each)	**500,000**	500,000

16 RESERVES

Nature And Purpose Of Reserves

• Statutory Reserve
In accordance with the Company's Articles of Association, the Company has resolved not to increase the statutory reserve above an amount equal to 25% of its paid up capital. Accordingly, no transfer to statutory reserve has been made during the year. The reserve can be used for any purpose to be decided by the shareholders upon the recommendation of the Board of Directors.

• Legal Reserve
In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year should be transferred to the legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital which occurred in 2016. The reserve is not available for distribution except in the circumstances stipulated by the law.

• Exceptional Loss Reserve
An amount equal to 10% of the net underwriting income, less general and administrative expenses for the year is transferred to an exceptional loss reserve to ensure that the Company has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years.

An amount equal to 10% of the outstanding claims (Non-life) for the year and 1% of gross premiums for life assurance is transferred to a contingency loss reserve to ensure that the Company has sufficient solvency to meet exceptional, non-recurring claims, which may arise in future years for Oman branch.

• General Reserve
Transfers to the general reserve are made on the recommendation of the Board of Directors and are approved by the shareholders. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

• Available-For-Sale Reserve
This reserve records fair value changes on available-for-sale financial assets.

• Foreign Currency Translation Reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of its foreign subsidiaries.

17 DIVIDENDS

For the year ended 31st December 2017, the Board of Directors has proposed a cash dividend of AED 20 per share totalling AED 100 million (2016: AED 100 million). This is subject to the approval of the shareholders at the Annual General Meeting to be held during 2018.

For the year ended 31st December 2016, the Shareholders at the annual general meeting dated 27th February 2017 approved a cash dividend of 20% (AED 20 per share) totalling AED 100 million and the same was paid during 2017.

18 SUMMARY OF THE ACTUARY'S REPORT ON THE TECHNICAL PROVISIONS

Sidat Hyder Morshed Associates Limited, actuary of the Group has issued a report providing an independent actuarial estimate of the Group's reserves as at 31st December 2017.

(a) Summary of the required technical provisions recommended by the Group's actuary:

2017	**Gross AED'000**	**Net AED'000**
Unearned premium reserve	**1,345,420**	**420,969**
Mathematical reserve and Unit-linked funds' reserve	**225,198**	**208,099**
Deferred acquisition cost (net)	**(22,152)**	**(12,316)**
Unexpired risk reserve	**9,661**	**2,260**
Unallocated loss adjusted expense reserve	**12,833**	**12,833**
Outstanding claim reserve and Incurred but not reported reserve	**1,506,220**	**375,795**
	3,077,180	**1,007,640**

2016	Gross AED'000	Net AED'000
Unearned premium reserve	951,545	316,414
Mathematical reserve and Unit-linked funds' reserve	146,089	117,987
Deferred acquisition cost (net)	(7,786)	(4,133)
Unexpired risk reserve	4,366	773
Unallocated loss adjusted expense reserve	7,367	7,367
Outstanding claim reserve and Incurred but not reported reserve	2,168,196	255,265
	3,269,777	693,673

ALAE Reserve is included in the Loss Reserves [Case reserves and Incurred but not reported reserve]

(b) Reconciliation of technical provisions as per actuary's report and the insurance contract liabilities in the consolidated financial statements is as follows:

As per consolidated financial statements:

	Gross		**Net**	
	2017 AED'000	2016 AED'000	**2017 AED'000**	2016 AED'000
Unearned premium reserve	**1,354,310**	870,872	**420,111**	307,086
Premiums collected in advance	**-**	93,054	**-**	14,526
Mathematical reserve	**176,567**	120,154	**159,458**	92,052
Unit-linked funds' reserve	**48,725**	25,936	**48,725**	25,936
Outstanding claims	**1,013,459**	1,921,525	**221,701**	198,507
Incurred but not reported reserve	**494,916**	227,543	**166,799**	53,251
Allocated loss adjustment expense reserve	**12,600**	16,254	**2,518**	2,278
Unallocated loss adjustment expense reserve	**12,925**	6,288	**12,925**	6,288
	3,113,502	3,281,626	**1,032,237**	699,924
Deferred acquisition costs	**(12,533)**	(7,786)	**(7,945)**	(4,113)
Add/(less): Additional reserve	**(23,789)**	(4,063)	**(16,652)**	(2,138)
As per Actuarial valuation (note 18 a)	**3,077,180**	3,269,777	**1,007,640**	693,673

19 EMPLOYEES' END OF SERVICE BENEFITS

	2017 AED'000	2016 AED'000
Provision as at 1st January	**17,533**	15,729
Provided during the year	**4,953**	3,433
End of service benefits paid	**(2,211)**	(1,042)
Exchange differences	**(27)**	(587)
Provision as at 31st December	**20,248**	17,533

20 REINSURANCE AND OTHER PAYABLES

This item consists of the following:

	2017 AED'000	2016 AED'000
Payables – Inside UAE	**324,923**	244,998
Payables – Outside UAE	**681,406**	524,473
	1,006,329	769,471
Inside UAE		
Insurance/reinsurance companies payable	**43,996**	63,691
Payable to agents and brokers	**31,759**	20,465
Payable to employees	**22,164**	19,444
Other payables	**227,004**	141,398
	324,923	244,998
Outside UAE		
Insurance/reinsurance companies payable	**626,791**	491,359
Payable to agents and brokers	**4,170**	2,495
Payable to employees	**2,054**	1,542
Other payables	**48,391**	29,077
	681,406	524,473

21 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2017 AED'000	2016 AED'000
Profit after tax for the year	**360,263**	313,847
Less: Attributable to non-controlling interests	**(5,305)**	(11,368)
Profit attributable to shareholders	**354,958**	302,479
Weighted average number of shares outstanding during the year	**5,000**	5,000
Earnings per share (AED)	**70.99**	60.50

No figures for diluted earnings per share are presented, as the Group has not issued any instruments, which would have an impact on earnings per share when exercised.

22 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	2017 AED'000	2016 AED'000
Gross premium written	**218,857**	224,003
Administration expenses	**23,488**	15,234
Motor vehicle repair charges paid relating to claims	**62,039**	80,699
Interest income	**4,631**	5,092
Rental income	**988**	3,750
Dividend income	**49,551**	49,551

Investment securities and deposits with banks are disclosed in notes 8, 11 and 13, respectively.

Amounts due from and due to related parties are included in notes 9 and 20 respectively.

As at 31st December 2017, amounts owed by related parties were not impaired. The impairment assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related party operates.

	2017 AED'000	2016 AED'000
Investment securities	**29,828**	44,143
Deposit with banks	**21,138**	126,877
Amounts owed by related parties	**75,887**	27,006
Amounts owed to related parties	**3,798**	9,612

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	31 December 2017 AED'000	31 December 2016 AED'000
Short-term benefits	**25,503**	24,030
Employees' end of service benefits	**1,141**	1,386
	26,644	25,416

The amounts disclosed in the table are the amounts recognised as an expense during the year.

23 RISK MANAGEMENT

The risks faced by the Group and the manner these risks are managed by management are summarised below:

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Group President and Senior Vice Presidents.

The senior management meets regularly to approve any commercial, regulatory and organisational decisions. The Group President under the authority delegated from the board of directors defines the Group's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management framework

The primary objective of the Group's capital management is to comply with the regulatory requirements in the UAE, Egypt, Sri Lanka, Syria, Turkey, Oman and Bahrain to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

(c) Regulatory framework

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

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

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Group President actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

The Group President regularly monitors the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance liabilities.

The risks faced by the Group and the way these risks are mitigated by management are summarised below:

23 A Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Frequency and Severity of Claims
The frequency and severity of claims can be affected by several factors. The Group underwrites mainly property, engineering, motor, miscellaneous accident, marine, medical and group life and personal accident classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Property
For property insurance contracts, the main perils are fire damage and other allied perils and business interruption resulting therefrom.

These contracts are underwritten either on replacement value or indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption and the basis of insurance are the main factors that influence the level of claims.

Engineering
For engineering insurance contracts, the main elements of risks are loss or damage to insured project works and resultant third party liabilities, loss or damage to insured plant, machinery and equipment and resultant business interruption losses. The extent of the loss or damage is the main factor that influences the level of claims.

Motor
For motor insurance contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

Miscellaneous Accident
For miscellaneous accident classes of insurance such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity, the extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine
In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in the total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Medical, Group Life and Personal Accident
In medical insurance, the main risk elements are illness and accidents and related healthcare costs. For group life and personal accident the main risks elements are claims arising from death and/or permanent or partial disability.

Individual Life
For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits on any single life insured and on all high risk individuals insured are in place.

The Group has adequate reinsurance arrangements to protect its financial viability against such claims for all the above classes.

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

Reinsurance 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.

Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

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 reinsures.

The five largest reinsurers account for 52 % of the maximum credit exposure at 31 December 2017 (2016: 34%). The maximum theoretical credit risk exposure in this connection is mainly from receivables in the UAE business.

23 B Financial risk

Financial instrument consists of financial assets and financial liabilities. The Group has no derivative financial instruments.
Financial assets of the Group include cash and cash equivalents, deposits with banks, other receivables, insurance receivables and investment securities.

Financial liabilities of the Group include reinsurance payables, amounts held under reinsurance treaties and other payables and accruals.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised as follows:

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.
The Group's significant exposure to interest rate risk is on account of its investment in floating rate bonds included

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at 31st December 2017

under available-for-sale investments. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its investment is denominated.

Details of maturities of the major classes of financial assets as at 31 December are as follows:

31st December 2017	**Less than 1 year AED' 000**	**1 to 5 years AED' 000**	**Non interest bearing items AED' 000**	**Total AED' 000**	**Effective interest rate**
Investment securities	**54,793**	**262,166**	**1,110,709**	**1,427,668**	**5.5% - 21.8%**
Insurance balance receivables	**-**	**-**	**696,462**	**696,462**	
Other receivables and prepayments	**-**	**-**	**56,381**	**56,381**	
Deposits with banks	**1,727,518**	**255,032**	**-**	**1,982,550**	**0.3% - 16.5%**
Bank balances	**53,768**	**-**	**198,033**	**251,801**	**0.03% - 15.5%**
	1,836,079	**517,198**	**2,061,585**	**4,414,862**	

31st December 2016	Less than 1 year AED' 000	1 to 5 years AED' 000	Non interest bearing items AED' 000	Total AED' 000	Effective interest rate
Investment securities	39,635	240,445	1,376,046	1,656,126	5.5% - 19.2%
Insurance balance receivables	-	-	412,626	412,626	
Other receivables and prepayments	-	-	45,177	45,177	
Deposits with banks	1,207,861	193,935	-	1,401,796	1% - 15%
Bank balances	117,733	-	232,672	350,405	0.8% - 13.2%
	1,365,229	434,380	2,066,521	3,866,130	

Effective interest rate varies among Group's investments across various countries where it operates.

The sensitivity of Group's consolidated statement of income to reasonably possible changes in interest rates, with all other variables constant is considered insignificant.

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The following table demonstrates the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit. The effect of decreases in exchange rates is expected to be equal and opposite to the effect of the increases shown. There is no other effect on equity.

	Increase in exchange rate	Effect on profit & other comprehensive income AED'000
31st December 2017		
Egyptian Pounds	**+5%**	**2,622**
Syrian Pounds	**+5%**	**503**
Sri Lankan Rupees	**+5%**	**801**
Turkish Lire	**+5%**	**732**
31st December 2016		
Egyptian Pounds	+5%	1,901
Syrian Pounds	+5%	516
Sri Lankan Rupees	+5%	728
Turkish Lire	+5%	106

Equity price risk

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

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices. The Group's equity investments comprise securities quoted on the Stock Exchanges in United Arab Emirates.

The effect on equity (as a result of a change in the fair values of equity instruments- available-for-sale investments at 31st December 2017) and on consolidated statement of income (as a result of changes in fair values of investments carried at fair value through profit or loss at 31st December 2017) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2017			2016		
	Change in equity price %	**Effect on equity AED'000**	**Effect on income statement AED'000**	Change in equity price %	Effect on equity AED'000	Effect on income statement AED'000
All investments – (Mainly Dubai Financial Market and Abu Dhabi Stock Market)	**10**	**102,077**	**1,138**	10	129,216	1,380

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the consolidated statement of financial position.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an on-going basis in order to reduce the Group's exposure to bad debts.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's bank balances are maintained with a range of local banks in accordance with limits set by the board of directors.
- There are no significant concentrations of credit risk within the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at 31st December 2017

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	Notes	31st December 2017 AED'000	31st December 2016 AED'000
Investment securities	8	**116,959**	80,081
Insurance balance receivables	9	**696,462**	412,626
Insurance contract assets	11	**1,129,957**	1,911,286
Deposits with banks and bank balances	10 and 13	**2,234,351**	1,752,201
Total Credit Risk Exposure		**4,177,729**	4,156,194

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

31st December 2017	**Neither past due nor impaired**				
	Investment grade AED'000	**Non Investment grade (satisfactory) AED'000**	**Non investment grade (unsatisfactory) AED'000**	**Past due or impaired AED'000**	**Total AED'000**
Investment securities	**11,338**	**105,621**	-	-	**116,959**
Insurance balance receivables	**696,462**	-	-	**20,547**	**717,009**
Insurance contract assets	**1,129,957**	-	-	-	**1,129,957**
Deposits with banks and bank balances	**2,185,031**	**49,320**	-	-	**2,234,351**
					4,198,276
Less: Impairment provision					**(20,547)**
					4,177,729

31st December 2016	Neither past due nor impaired				
	Investment grade AED'000	Non Investment grade (satisfactory) AED'000	Non investment grade (unsatisfactory) AED'000	Past due or impaired AED'000	Total AED'000
Investment securities	14,785	65,296	-	-	80,081
Insurance balance receivables	412,626	-	-	17,188	429,814
Insurance contract assets	1,911,286	-	-	-	1,911,286
Deposits with banks and bank balances	1,702,311	49,890	-	-	1,752,201
					4,173,382
Less: impairment provision					(17,188)
					4,156,194

The ageing analysis of insurance balance receivables is as follows:

	Policy holders 2017 AED'000	Insurance and reinsurance companies 2017 AED'000	Total 2017 AED'000	Policy holders 2016 AED'000	Insurance and reinsurance companies 2016 AED'000	Total 2016 AED'000
Inside UAE						
Less than 30 days	**236,878**	**8,013**	**244,891**	159,906	2,172	162,078
30 – 90 days	**150,218**	**6,698**	**156,916**	84,008	5,536	89,544
91 – 180 days	**47,861**	**6,675**	**54,536**	38,604	6,380	44,984
181 – 270 days	**34,503**	**4,736**	**39,239**	10,561	4,206	14,767
271 – 360 days	**20,206**	**1,715**	**21,921**	6,225	2,212	8,437
More than 360 days	**20,164**	**4,299**	**24,463**	11,493	1,374	12,867
	509,830	**32,136**	**541,966**	310,797	21,880	332,677
Outside UAE						
Less than 30 days	**33,303**	**61,208**	**94,511**	12,367	12,990	25,357
30 – 90 days	**9,536**	**6,197**	**15,733**	12,513	8,677	21,190
91 – 180 days	**8,835**	**21,575**	**30,410**	13,877	5,576	19,453
181 – 270 days	**5,998**	**5,495**	**11,493**	6,138	9,039	15,177
271 – 360 days	**6,792**	**1,776**	**8,568**	2,046	3,383	5,429
More than 360 days	**6,724**	**7,604**	**14,328**	4,109	6,422	10,531
	71,188	**103,855**	**175,043**	51,050	46,087	97,137
Total	**581,018**	**135,991**	**717,009**	361,847	67,967	429,814

The Group provides credit facilities up to 120 days. For assets to be classified as 'past due and impaired' contractual payments in arrears are more than 120 days and an impairment adjustment is recorded in the consolidated statement of income for this. When the credit exposure is adequately secured, arrears more than 120 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

The Group issues unit-linked investment policies in a number of its operations. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The table in the following page summarises, in AED'000 the maturity of the assets and liabilities of the Group based on remaining undiscounted contractual obligations. As the Group does not have any interest bearing liabilities, the totals in the table match the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at 31st December 2017

	31st December 2017				31st December 2016			
	Less than one year AED'000	More than one year AED'000	No term AED'000	Total AED'000	Less than one year AED'000	More than one year AED'000	No term AED'000	Total AED'000
ASSETS								
Property and equipment	-	-	102,472	102,472	-	-	107,491	107,491
Investment in an associate	-	-	68,317	68,317	-	-	70,000	70,000
Investment securities	54,793	262,166	1,110,709	1,427,668	39,635	240,445	1,376,046	1,656,126
Insurance contract assets	2,081,265	-	-	2,081,265	2,581,702	-	-	2,581,702
Insurance balance receivables	696,462	-	-	696,462	406,416	6,210	-	412,626
Other receivables and prepayments	56,381	-	-	56,381	45,177	-	-	45,177
Term deposits and bank balances	1,926,023	255,032	53,296	2,234,351	1,504,297	193,935	53,969	1,752,201
TOTAL ASSETS	4,814,924	517,198	1,334,794	6,666,916	4,577,227	440,590	1,607,506	6,625,323
EQUITY AND LIABILITIES								
Equity								
Share capital	-	-	500,000	500,000	-	-	500,000	500,000
Statutory reserve	-	-	125,000	125,000	-	-	125,000	125,000
Legal reserve	-	-	250,000	250,000	-	-	250,000	250,000
Exceptional loss reserve	-	-	201,927	201,927	-	-	177,763	177,763
General reserve	-	-	884,500	884,500	-	-	658,664	658,664
Retained earnings	-	-	30,570	30,570	-	-	26,291	26,291
Available-for-sale reserve	-	-	494,020	494,020	-	-	782,907	782,907
Foreign currency translation reserve	-	-	(86,151)	(86,151)	-	-	(85,814)	(85,814)
Proposed dividends	100,000	-	-	100,000	100,000	-	-	100,000
Non-controlling interest	-	-	27,014	27,014	-	-	21,942	21,942
Total equity	100,000	-	2,426,880	2,526,880	100,000	-	2,456,753	2,556,753
Liabilities								
Insurance contracts liabilities	3,064,777	48,725	-	3,113,502	3,255,690	25,936	-	3,281,626
Reinsurance and other payables	1,006,329	-	-	1,006,329	769,471	-	-	769,471
Retirement benefit obligations	-	-	20,248	20,248	-	-	17,533	17,533
Total liabilities	4,071,106	48,725	20,248	4,140,079	4,025,161	25,936	17,533	4,068,630
TOTAL EQUITY AND LIABILITIES	4,171,106	48,725	2,447,128	6,666,959	4,125,161	25,936	2,474,286	6,625,383

Capital management

Capital requirements are set and regulated by the regulatory requirements in the UAE, Oman, Syria, Egypt, Sri Lanka, Turkey and Bahrain. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders or issue capital securities.

The Group fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its objectives, policies and processes from the previous year.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Underwriting risk

Underwriting risk refers to the potential loss to the Group emanating from the perils covered and the processes used in the conduct of business.

Underwriting risk is mitigated by the Group by diversification across a large portfolio of insurance contracts. The variability of risks is also managed by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group regularly reviews its management of risk in the context of relevant internal and external factors and changes in these factors.

Changes in liabilities arising from financing activities

The Group's liabilities arising from financing activities included payment of dividend of AED 100,509 thousand (2016: AED 100,606 thousand) and statutory payment to employees of AED 1,131 thousand (2016: AED Nil).

24 CONTINGENCIES AND COMMITMENTS

a) Legal claims

The Group, in common with the majority of insurers, is subject to litigation in the normal course of its business. Based on independent legal advice, the management does not believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.

b) Contingent liabilities

At 31st December 2017, guarantees, other than those relating to claims for which provisions are held, amounting to AED 16,888 thousand (2016: AED 16,470 thousand) had been issued on behalf of the Group by its banker in the ordinary course of business.

c) Capital commitments

The Group has the following capital commitments at the statement of financial position date:

	2017 AED'000	2016 AED'000
Commitment for investments	**7, 866**	11,057

25 FAIR VALUE MEASUREMENT

A. Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs, which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of assets recorded at fair value by level of the fair value hierarchy:

31st December 2017	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total fair value AED'000**
Financial assets held-for-trading:				
Equity securities	**11,378**	**-**	**-**	**11,378**
Financial assets designated at fair value through profit or loss:				
Equity securities	**-**	**-**	**-**	**-**
Available-for-sale financial assets:				
Banking sector	**1,015,788**	**-**	**200,000**	**1,215,788**
Other sectors	**16,330**	**-**	**29,828**	**46,158**
Equity securities				
Investments held on behalf of policy holders of unit linked products:	**48,726**	**-**	**-**	**48,726**
	1,080,844	**-**	**229,828**	**1,310,672**

31st December 2016	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000
Financial assets held-for-trading:				
Equity securities	13,804	-	-	13,804
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	-	-
Available-for-sale financial assets:				
Banking sector	1,288,316	-	200,000	1,488,316
Other sectors	18,631	-	44,146	62,777
Equity securities				
Investments held on behalf of policy holders of unit linked products	25,936	-	-	25,936
	1,332,883	-	244,146	1,577,029

Financial instruments recorded at fair value

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data. Management is of the view that the fair values of available for sale investment in unquoted fund cannot be reliably measured and that the net assets approximate the recoverable amounts. Accordingly, such investments are stated at cost.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

31st December 2017	At 1st January 2017 AED '000	Total gain or loss recorded in profit or loss AED '000	Purchase AED '000	Sales AED '000	Total gain or loss recorded equity AED '000	At 31st December 2017 AED '000
Available-for-sale financial assets:						
Banking sector	**200,000**	**-**	**-**	**-**	**-**	**200,000**
Other sectors	**44,146**	**-**	**3,191**	**-**	**(17,506)**	**29,831**
	244,156	**-**	**3,191**	**-**	**(17,506)**	**229,831**

31st December 2016	At 1st January 2016 AED '000	Total gain or loss recorded in profit or loss AED '000	Purchase AED '000	Sales AED '000	Total gain or loss recorded equity AED '000	At 31st December 2016 AED '000
Financial assets designated at fair value through profit or loss						
Equity Securities	2,148	8	-	2,156	-	-
Available-for-sale financial assets:						
Banking sector	200,000	-	-	-	-	200,000
Other sectors	38,703	(5)	5,448	-	-	44,146
	238,703	(5)	5,448	-	-	244,156
	240,851	3	5,448	2,156	-	244,156

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

For equity securities, the Group does not have a material exposure as at 31st December and accordingly no sensitivity analysis has been done.

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity and would qualify for a level 2 disclosure.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit and maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.