National General Insurance Co. (P.J.S.C.)

Financial statements

31 December 2018

National General Insurance Co. (P.J.S.C.)

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Report of the Board of Directors

Dear Shareholders,

The Board of Directors have the pleasure to welcome you to the Eighteenth Annual General Meeting and present their report together with the audited financial statements of National General Insurance Co (PJSC) ('The Company') for the year ended 31 December 2018.

Overview

The Company continues to be a technically strong and dominant player in the market backed by a solid panel of the company and the support of reinsurers.

FINANCIAL RESULTS

1. The Company reported a net profit of AED 31.4 million for the year 2018 against AED 37 million for 2017.

2. Gross premiums is AED 551.4 million in 2018 compared to AED 571.7 million in 2017 and the net earned premiums decreased from AED 275.7 million in 2017 to AED 254.9 million in 2018 decrease of 7.5%.

3. The net claims paid during the year 2018 amounted to AED 155 million compared with AED 164.2 million in 2017 decrease of 5.6% and the net claims incurred during the year 2018 amounted to AED 154.7 million compared with AED 164.4 million in 2017 decrease of 5.9%.

4. Underwriting profit is AED 36.5 million in 2018 compared with AED 37.7 million in 2017

5. Gross income from investment portfolio was AED 10.3 million in 2018 compared to AED 14.1 million in 2017

6. Total General and Management expenses including expenses directly attributable to underwriting activities for the year 2018 is AED 72.3 million compared to AED 62.5 million in 2017

7. Investment fund comprising of investment properties, securities and cash and bank balances was AED 736.9 million at the end of 2018 compared with AED 744.4 million in 2017.

8. The Net Technical Reserves (i.e. net unearned premium reserve, and net provision for outstanding claims) at the end of year 2018 amounted to AED 239.3 million compared with AED 238.5 million in 2017. Included in the above is Life Assurance Fund of AED 77.2 million as at end 2018 compared to AED 77.9 million in 2017.

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RECOMMENDATIONS OF THE BOARD OF DIRECTORS

The Board of Directors has the pleasure in presenting the following recommendations to the shareholders:

1. Consider, discuss and approve the Board of Directors' report.
2. Consider, discuss and approve the Auditors' report.
3. Consider, discuss and approve the Financial Statements for the year ended 31 December 2018.
4. Absolve the Chairman and Members of the Board from all responsibilities for acts and decisions made by them in fulfilling their functions during the year ended 31 December 2018.

5. Approve the proposed appropriation of the profits as follows:

	AED
Profit brought forward	133,031,963
Add comprehensive profit for the year 2017	31,345,343
Total available for distribution	164,377,306
Less	
a) Director's remuneration	2,386,748
d) Proposed Dividend --- Cash 15%	22,493,117
Profit carried forward	139,497,441

6. Appoint Auditors for the financial year 2019 and determine their fees.

The Board of Directors take pleasure in extending, on your behalf, their sincere thanks and appreciation to H.H Sheikh Khalifa Bin Zayed Al Nahyan, the President and H.H Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, for their kind support to the national companies and institutions, which benefited immensely from their wise economic and social policies.

The Directors also appreciate the fruitful co-operation of all customers who had the major role in the progress of the company.

The Directors take this opportunity to express their sincere appreciation and thanks to the Company's executive administration and staff for their loyalty, diligence and hard work, and to our treaty leaders and all the Reinsurers for their continued support to the Company.

On behalf of the Board

Hamad Mubarak Buamim
Chairman

11 FEB 2019

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Independent Auditors' Report

To the Shareholders of National General Insurance Co. (P.J.S.C.)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National General Insurance Co. (P.J.S.C.) (the "Company"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

1. *Insurance contract liabilities*

Refer to note 5 and 13 of the financial statements.

Valuation of these liabilities involves significant judgement, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported ("IBNR") to the Company. IBNR and life assurance fund is calculated by an independent qualified external actuary for the Company.

Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of these liabilities and a corresponding effect on profit or loss. The key assumptions that drive the reserve calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business.

The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of these liabilities may arise.

Our response: Our audit procedures supported by our actuarial specialists included:

- evaluating and testing of key controls around the claims handling and case reserve setting processes of the Company. Examining evidence of the operation of controls over the valuation of individual reserve for outstanding claims and consider if the amount recorded in the financial statements is valued appropriately;

- obtaining an understanding of and assessing the methodology and key assumptions applied by the management. Independently re-projecting the reserve balances for certain classes of business;

- assessing the experience and competence of the Company's actuary and degree of challenge applied through the reserving process;

Key Audit Matters (continued)

1. *Insurance contract liabilities* *(continued)*

- checking sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; and

- assessing the Company's disclosure in relation to these liabilities including claims development table is appropriate.

2. *Insurance receivables*

Refer to note 4, 5 and 11 of the financial statements.

As at 31st December 2018 the Company has significant balances of trade receivables.

IFRS 9 "Financial Instruments" (IFRS 9) was adopted by the Company on 1 January 2018 and has resulted in change in accounting for impairment from an incurred loss model to a forward looking expected credit loss ("ECL") model. The determination of expected loss involves significant estimates and judgement.

Given the inherently judgemental nature of determining ECL and this being the first year of its application, this is considered as a key audit matter.

Our response: Our audit procedures supported by our specialists included:

- Obtained an understanding of the Company's process for estimating ECL and assessed the appropriateness of the ECL methodology and the new accounting policy against the requirements of IFRS 9;

- Identified and tested key controls over the ECL model;

- Assessed the reasonableness of management's key assumptions and judgments made in determining the ECL allowances including the selection of ECL models, segmenting of receivables and macroeconomic factors;

- We tested key inputs of the model, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also assessed the reasonableness of forward looking factors used by the Company by corroborating with publicly available information; and

Key Audit Matters (continued)

2. *Insurance receivables* *(continued)*

- We tested the opening balance adjustment due to application of impairment requirements of IFRS 9 and assessed the adequacy of the credit risk disclosure.

3. Valuation of investment properties

Refer to note 5 and 9 of the financial statements.

The valuation of investment properties is determined through the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

Due to the significance of investment properties and the related estimation uncertainty, this is considered a key audit matter.

Investment properties are held at fair value through profit or loss in the Company's statement of financial position and qualify under Level 3 of the fair value hierarchy as at 31 December 2018.

Our response:

- We assessed the competence, independence and integrity of the external valuers and read their terms of engagement with the Company to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;

- We obtained the external valuation reports for all properties and confirmed that the valuation approach is in accordance with RICS' standards and is suitable for use in determining the fair value in the statement of financial position;

- We carried out procedures to test whether property specific standing data supplied to the external valuers by management is appropriate and reliable; and

- Based on the outcome of our evaluation, we determined the adequacy of the disclosure in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the Directors' report.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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:

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

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

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

Report on Other Legal and Regulatory Requirements *(continued)*

v) as disclosed in note 10 to the financial statements, the Company has purchased shares during the year ended 31 December 2018;

vi) note 20 to the financial statements discloses material related party transactions and the terms under which they were conducted;

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

viii) note 19 to the financial statements discloses the social contributions made during the year.

Further, as required by the UAE Federal Law No. 6 of 2007, as amended, we report that we have obtained all the information and explanations we considered necessary for the purposes of our audit.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates
Date: 11 FEB 2019

National General Insurance Co. (P.J.S.C.)

Statement of financial position

as at 31 December 2018

	Note	2018 AED	2017 AED
ASSETS			
Property and equipment	*8*	**28,616,081**	30,945,986
Intangible assets	*8*	**2,016,151**	2,787,673
Investment properties	*9*	**218,779,637**	228,689,290
Investment securities	*10*	**252,299,372**	258,427,440
Reinsurance assets	*13*	**268,150,211**	282,617,066
Insurance and other receivables	*11*	**176,907,220**	157,991,832
Cash and bank balances	*12*	**265,891,866**	257,289,335
Total assets		**1,212,660,538**	1,218,748,622
LIABILITIES			
Insurance contract liabilities	*13*	**507,417,770**	521,087,810
Insurance and other payables	*14*	**199,992,324**	187,489,004
Payable to policyholders of unit linked products	*24*	**41,018,157**	45,249,827
Total liabilities		**748,428,251**	753,826,641
EQUITY			
Share capital	*15*	**149,954,112**	149,954,112
Legal reserve	*15*	**74,977,056**	74,977,056
General reserve	*15*	**74,977,056**	74,977,056
Fair value reserve	*15*	**(73,080)**	(53,243)
Retained earnings		**164,397,143**	165,067,000
Total equity		**464,232,287**	464,921,981
Total liabilities and equity		**1,212,660,538**	1,218,748,622

The notes on pages 16 to 54 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 11 February 2019 and signed on their behalf by:

HE Hamad Mubarak Buamim
Chairman

Dr. Abdul Zahra A. Ali
CEO

Independent auditor's report is set out on page 3 - 10.

National General Insurance Co. (P.J.S.C.)

Statement of profit or loss

For the year ended 31 December 2018

	Note	2018 AED	2017 AED
Gross written premiums	*22*	**551,413,111**	571,653,070
Reinsurance ceded		**(294,695,369)**	(297,774,693)
Net premiums		**256,717,742**	273,878,377
Change in unearned premium provision		**(1,865,934)**	1,805,648
Net earned premiums		**254,851,808**	275,684,025
Reinsurance commission income		**36,197,193**	33,727,466
Total underwriting income		**291,049,001**	309,411,491
Claims paid	*13*	**(320,481,240)**	(401,936,408)
Reinsurance share of claims paid	*13*	**165,467,592**	237,731,080
Net claims paid		**(155,013,648)**	(164,205,328)
Change in outstanding claims provision		**291,589**	(220,440)
Net incurred claims	*22*	**(154,722,059)**	(164,425,768)
Commission incurred	*22*	**(43,271,362)**	(54,553,346)
Administrative expenses	*19*	**(56,858,693)**	(47,722,949)
Net underwriting expenses		**(254,852,114)**	(266,702,063)
Net movement in life assurance fund and payable to policyholders of unit linked products	*22*	**5,009,200**	(14,085,267)
(Decrease) / increase in fair value of investments held for unit linked products	*24*	**(4,723,745)**	9,042,268
Total underwriting expense		**(254,566,659)**	(271,745,062)
Underwriting profit	*22*	**36,482,342**	37,666,429
Interest and other income		**12,717,042**	8,402,421
Net rental income	*9*	**4,298,474**	4,457,568
Fair value (loss) / gain on investment properties	*9*	**(9,909,653)**	1,411,463
Net income / (expenses) from investments	*18*	**3,166,117**	(124,319)
Net gain from investment portfolio		**10,271,980**	14,147,133
General and administrative expenses	*19*	**(15,389,142)**	(14,830,503)
Net profit for the year		**31,365,180**	36,983,059
Basic and diluted earnings per share	*23*	**0.21**	0.25

The notes on pages 16 to 54 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 10.

National General Insurance Co. (P.J.S.C.)

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	2018	2017
	AED	AED
Net profit for the year	**31,365,180**	36,983,059
Other comprehensive income		
Items that will not be classified to profit or loss:		
Net change in fair value of investments at fair value through other comprehensive income	**(19,837)**	(409,364)
Total other comprehensive loss for the year	**(19,837)**	(409,364)
Total comprehensive income for the year	**31,345,343**	36,573,695

The notes on pages 16 to 54 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 10.

National General Insurance Co. (P.J.S.C.)

Statement of cash flows

For the year ended 31 December 2018

	Note	2018 AED	2017 AED
Cash flows from operating activities			
Net profit for the year		**31,365,180**	36,983,059
Adjustment for:			
Depreciation and amortisation	*8.1*	**3,637,182**	3,715,803
Dividend income	*18*	**(6,654,480)**	(2,951,092)
Realised gains on investments fair valued through profit or loss	*18*	**(6,035,023)**	(2,070,368)
Realised loss on investments fair valued through other comprehensive income transferred to profit or loss		**682,466**	-
Unrealised loss on investments fair valued through profit or loss	*18*	**6,237,621**	4,684,941
Realised loss on sale of property and equipment		**-**	3
Unrealised (loss) / gain on fair value of investment properties	*9*	**9,909,653**	(1,411,463)
Change in unearned premium reserve and life assurance fund		**1,088,404**	4,225,394
Expected credit losses / provision against trade receivables	*11*	**(140,428)**	(1,500,000)
Provision for gratuity - net of repayment		**(1,501,167)**	(958,530)
		38,589,408	40,717,747
Change in insurance receivables		**(24,919,951)**	(21,496,535)
Change in insurance and other payables		**14,004,487**	35,853,430
Change in net outstanding claims		**(291,589)**	220,440
Director's remuneration		**(2,520,247)**	(1,525,212)
Net cash generated from operating activities		**24,862,108**	53,769,870
Cash flows from investing activities			
Purchase of investments at fair value through profit or loss		**(37,291,807)**	(64,960,623)
Purchase of investments at amortised cost		**-**	(9,192,500)
Purchase of investments at fair value throught other comprehensive income		**(20,723,992)**	-
Proceeds from sale of investments at fair value through profit or loss		**37,752,571**	47,662,223
Proceeds from sale of investments at fair value through other comprehensive income		**20,388,633**	-
Change in property and equipment and intangible assets (net)		**(546,346)**	(2,200,647)
Dividend income		**6,654,480**	2,951,092
Change in bank deposits		**928,785**	(35,277,767)
Net cash generated from / (used in) investing activities		**7,162,324**	(61,018,222)
Cash flows from financing activities			
Dividends paid		**(22,493,117)**	(17,994,493)
Net cash used in financing activities		**(22,493,117)**	(17,994,493)
Net increase / (decrease) in cash and cash equivalents		**9,531,315**	(25,242,845)
Cash and cash equivalents at 1 January	*12*	**30,173,159**	55,416,004
Cash and cash equivalents at 31 December	*12*	**39,704,474**	30,173,159

The notes on pages 16 to 54 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 10.

National General Insurance Co. (P.J.S.C.)

Statement of changes in shareholders' equity

For the year ended 31 December 2018

	Attributable to the equity holders of the Company					
	Share capital AED	**Legal reserve AED**	**General reserve AED**	**Fair value reserve AED**	**Retained earnings AED**	**Total AED**
Balance at 1 January 2017	149,954,112	73,143,606	72,527,620	356,121	151,886,532	447,867,991
Total comprehensive income for the year						
Profit for the year	-	-	-	-	36,983,059	36,983,059
Other comprehensive income for the year						
Net change in fair value of investments FVTOCI	-	-	-	(409,364)	-	(409,364)
Total other comprehensive income for the year	-	-	-	(409,364)	-	(409,364)
Total comprehensive income for the year	-	-	-	(409,364)	36,983,059	36,573,695
Transfer to legal reserve	-	1,833,450	-	-	(1,833,450)	-
Transfer to general reserve	-	-	2,449,436	-	(2,449,436)	-
Transaction with owners directly recorded in equity						
Directors' remuneration (note 17)	-	-	-	-	(1,525,212)	(1,525,212)
Dividends paid (note 16)	-	-	-	-	(17,994,493)	(17,994,493)
As at 31 December 2017	**149,954,112**	**74,977,056**	**74,977,056**	**(53,243)**	**165,067,000**	**464,921,981**
Balance at 1 January 2018	**149,954,112**	**74,977,056**	**74,977,056**	**(53,243)**	**165,067,000**	**464,921,981**
Impact of adopting IFRS 9 (refer note 3)	-	-	-	-	(7,021,673)	(7,021,673)
Balance at 1 January 2018	**149,954,112**	**74,977,056**	**74,977,056**	**(53,243)**	**158,045,327**	**457,900,308**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	31,365,180	31,365,180
Other comprehensive income for the year						
Net change in fair value of investments FVTOCI	-	-	-	(19,837)	-	(19,837)
Total other comprehensive income for the year	**-**	**-**	**-**	**(19,837)**	**-**	**(19,837)**
Total comprehensive income for the year	**-**	**-**	**-**	**(19,837)**	**31,365,180**	**31,345,343**
Transfer to legal reserve (refer note 15)	-	-	-	-	-	-
Transfer to general reserve (refer note 15)	-	-	-	-	-	-
Transaction with owners directly recorded in equity						
Directors' remuneration (note 17)	-	-	-	-	(2,520,247)	(2,520,247)
Dividends paid (note 16)	-	-	-	-	(22,493,117)	(22,493,117)
As at 31 December 2018	**149,954,112**	**74,977,056**	**74,977,056**	**(73,080)**	**164,397,143**	**464,232,287**

The notes on pages 16 to 54 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 10.

1. Reporting entity

National General Insurance Co. (P.J.S.C) ("the Company") is a Public Shareholding Company registered under UAE Federal Law No. 2 of 2015 for commercial companies in the Emirate of Dubai with effect from 12 September 2001.

The Company was originally incorporated as a Private Limited Liability Company in the Emirate of Dubai.

The Company underwrites all classes of life and general insurance business as well as certain reinsurance business in accordance with the provisions of the UAE Federal Law No. 6 of 2007 relating to Establishment of Insurance Authority and Regulation of Insurance Operations.

The registered office of the Company is at the NGI House, P.O. Box 154, Dubai, UAE.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standard Board ('IASB'), applicable provisions of UAE Federal Law No. 2 of 2015 and UAE Federal Law No. 6 of 2007.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are stated at fair value :

i) financial instruments at fair value through profit or loss ("FVTPL");
ii) financial instruments at fair value through other comprehensive income ("FVTOCI"); and
iii) investment properties.

The methods used to measure fair values are discussed in note 3(j).

c) Functional and presentation currency

These financial statements are presented in U.A.E. Dirhams ("AED"), which is the Company's functional currency. Financial information presented has been rounded to the nearest AED.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5.

e) Changes in accounting policy

The Company has adopted the following new standards, including any consequential amendments to other standards.

• IFRS 15 (Revenue from Contracts with Customers)
• IFRS 9 (Financial Instruments)

2. Basis of preparation *(continued)*

e) Changes in accounting policy *(continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Revenue arising from insurance contracts and from financial instruments is outside the scope of IFRS 15. The impact on the recognition of revenue from other services delivered to customers by the Company is insignificant.

IFRS 9 Financial Instruments

The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company had already early adopted the requirements for the classification and measurement of the financial instruments in the year 2011. The Company has assessed the changes between the version of IFRS 9 issued in July 2014 and the earlier version adopted and assessed that there are no significant changes on account of changes in classification requirements. As such there is no impact on opening equity as at 1 January 2018 on account of changes in classification requirements of IFRS 9. The change in accounting policy upon adoption of the impairment requirements of IFRS 9 are provided in note 3 (h).

The adoption of July 2014 version of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

3. Significant accounting policies

Except for the changes noted above, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Insurance contracts

i) Classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to happening of the insured event compared to its non happening.

Insurance contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices 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.

Contracts where insurance risk is not significant are classified as investment contracts.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

ii) Recognition and measurement

Premiums

Gross premiums written reflect business incepted during the year, and exclude any fees and other amounts collected with and calculated based on premiums. These are recognised when underwriting process is complete and policies are issued.

The earned portion of premium is recognised as an income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

3. Significant accounting policies *(continued)*

a) Insurance contracts *(continued)*

ii) Recognition and measurement (continued)

Unearned premium provision

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. UPR is calculated using the 1/365 method except for marine cargo and general accident. The UPR for marine cargo is recognised as fixed proportion of the written premiums as required in the financial regulation issued under UAE Federal Law No. 6 of 2007, and UPR for general accident assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract, the rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy. Unearned premiums for individual life business are considered by the Company's actuary in the calculation for life reserve fund.

iii) Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the new regulations. The basis of estimating outstanding claims and IBNR are detailed in note 13.

iv) Provision for premium deficiency / liability adequacy test

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

v) Reinsurance

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

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

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

Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

3. Significant accounting policies *(continued)*

a) Insurance contracts *(continued)*

vi) Deferred acquisition cost

For general insurance contracts, the deferred acquisition cost asset represents the position of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date. Commission income related to underwriting activities are recognised on a time proportion basis over the effective period of policy using the same basis as described for unearned premium reserve.

vii) Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract liabilities or reinsurance assets.

viii) Life assurance fund

The fund is determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of fund are affected by charges or credits to income. Certain generated returns are accrued and provided for in the life fund.

ix) Insurance contract liabilities and reinsurance assets

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the statement of financial position date, in addition for claims incurred but not reported and Life assurance fund. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date.

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

b) Revenue (other than insurance revenue)

Revenue (other than insurance revenue) comprises the following:

i) Fee and commission income

Fee and commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies.

ii) Investment income

Investment income comprises income from financial assets, rental income from investment properties, realised and unrealised fair value gains on investment property and financial assets at fair valye through profit or loss.

Income from financial assets comprises interest and dividend income, net gains/losses on financial assets classified at FVTPL, and realised gains/losses on other financial assets.

Interest income is recognised on a time proportion basis using effective interest rate method. Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities. Basis of recognition of net gains/losses on financial assets classified at fair value through profit or loss and realised gains on other financial assets is described in note 3 (g).

Fair value gains/losses on investment property are included in the statement of profit or loss in the period these gains/losses are determined.

3. Significant accounting policies *(continued)*

c) Operating leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases for office premises equipments are recognised in statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

d) Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

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

Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in statement of profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. No depreciation is charged on freehold land and capital-work-in-progress. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

3. Significant accounting policies *(continued)*

d) Property and equipment *(continued)*

iii) Depreciation (continued)

The estimated useful lives with their capabilities for various categories of property and equipment is as follows :

Office building	30 years
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years
Computer equipment	4 years

e) Intangible assets (software)

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight line basis in the statement of profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods are four years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in providing services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the statement of profit or loss.

The Company determines fair value on the basis of valuations provided by two independent valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

g) Non-derivative financial assets and liabilities

The Company adopted IFRS 9 (2009), Financial instruments in 2011 in advance of its effective date and chose 1 January 2011 as the date of initial application and adopted IFRS 9 (2014), as on 1 January 2018.

Recognition

The Company initially recognises insurance receivables and insurance payables on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes party to the contractual provision of the instrument.

3. Significant accounting policies *(continued)*

g) Non-derivative financial assets and liabilities *(continued)*

Recognition *(continued)*

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

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

Classification

Financial assets measured at amortised cost

At inception a financial asset is classified as measured at amortised cost or fair value.

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions:
- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets measured at fair value through profit or loss

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

3. Significant accounting policies *(continued)*

g) Non-derivative financial assets and liabilities *(continued)*

Classification *(continued)*

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

The Company has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial assets at FVTOCI

At initial recognition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in certain equity instruments as at FVTOCI (fair value through other comprehensive income). Designation to FVTOCI is not permitted if the equity instrument is held for trading.

Dividend in these investments in equity instruments are recognised in the income statement when the Company's right to receive the dividends is established, unless the dividends clearly represents a recovery of part of the cost of the investment.

Gains and losses on such equity instruments are never reclassified to income statement and no impairment is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except when the Company changes its business model for managing financial assets.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amoritised cost using the effective interest method.

Loans and receivables comprise mainly insurance and other receivables.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with the banks and fixed deposits with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Equity securities

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

Payable to policy holders for unit-linked policies

Payable to unit holder is classified as financial liability, which is designated as fair value through profit or loss, upon initial recognition. Subsequent to initial measurement, financial liabilities fair value through profit or loss are measured at fair value and any fair value change are recognised in statement of profit or loss.

3. Significant accounting policies *(continued)*

h) Impairment

Policy applicable before 1 January 2018

Impairment of non-derivative financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost are impaired. A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows relating to the asset that can be estimated reliably. The Company considers evidence of impairment at both a specific and collective level.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Company.

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by combining together loans and receivables with similar risk characteristics.

Impairment of loans and receivables

At each reporting date, the Company assesses on a case-by-case basis whether there is any objective evidence that a asset is impaired. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off and/or any event resulting in a reduction in impairment loss, decreases the amount of the provision for loan impairment in profit or loss.

Impairment losses are recognised in the income statement and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than investment property) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

3. Significant accounting policies *(continued)*

h) Impairment *(continued)*

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Policy applicable from 1 January 2018

IFRS 9 replaces the 'incurred loss' model in International Accounting Standard ("IAS") 39 Financial Instruments: Recognition and Measurement with an expecteed credit losses ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 Financial Instruments: Recognition and Measurement.

The financial assets at amortised cost consist of insurance and other receivables (excluding prepayments), cash and cash equivalents, corporate debt securities and due from related parties.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

• Debt investment securities that are determined to have low credit risk at the reporting date; and
• Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

• Stage 1 – Where there has not been a significant increase in credit risk ("SICR") since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

• Stage 2 – When a financial instrument experiences an increase in SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

• Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

3. Significant accounting policies *(continued)*

h) Impairment *(continued)*

The key inputs into the measurement of ECL are the term structure of the following variables:

• Probability of default (PD);
• Loss given default (LGD);
• Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

The Company has adopted simplified approach in case of insurance and other receivables. In case of financial assets for which simplified approach is adopted lifetime expected credit loss is recognised.

Details of these statistical parameters/inputs are as follows:

• PD – The probability of default is an estimate of the likelihood of default over a given time horizon.

• LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

• EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

Forward-looking information

The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

In its models, the company relies on a broad range of forward looking information as economic inputs, such as: GDP, GDP annual growth rate, unemployment rates, inflation rates, interest rates, etc. Various macroeconomic variables considered are Brent, CPI, Stock, Inflation and Loans to private sector.

The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

• *Financial assets measured at amortised cost* : as a deduction from the gross carrying amount of the assets.

Definition of default

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Company.

3. Significant accounting policies *(continued)*

h) Impairment *(continued)*

Definition of default *(continued)*

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative – e.g. breaches of covenant,
- Quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

• Comparative periods have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

• The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

• If a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that credit risk on the asset had not increased significantly since its initial recognition.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The impact from the adoption of IFRS 9 (2014) as at 1 January 2018 has been to decrease retained earnings by AED 7 million.

Particulars	**Retained earnings AED**
Closing balance under IAS 39 as at 31 December 2017	165,067,000
Impact on recognition of Expected Credit Losses	
Investment securities	(872,938)
Insurance and other receivables	(5,929,530)
Due from related parties	(4,565)
Cash and bank balances	(214,640)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**158,045,327**

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

National General Insurance Co. (P.J.S.C.)
Notes (continued)

3. Significant accounting policies *(continued)*

Impact of the new impairment model *(continued)*

Reconciliation of impairment allowances

	31 December 2017	Adjustment under IFRS 9	1 January 2018
Investment securities	-	872,938	872,938
Insurance and other receivables	7,500,000	5,929,530	13,429,530
Due from related parties	-	4,565	4,565
Cash and bank balances	-	214,640	214,640
	7,500,000	**7,021,673**	**14,521,673**

i) De-recognition of financial assets and financial liabilities

The Company derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control on the financial asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Company is recognised as separate asset or liability in the statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the financial assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the services.

The Company derecognises a financial liability when its contractual obligation are discharged or cancelled or expire.

j) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.

3. Significant accounting policies *(continued)*

j) Fair value measurement principles *(continued)*

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

k) Provisions

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

l) Foreign currency transactions

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the reporting date. Non monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realised and unrealised exchange gains and losses are recognised in profit or loss.

m) Employee terminal benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are not less than the liability arising under UAE Labour Law.

The Company contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Company's contributions are charged to the statement of profit or loss in the period to which they relate. In respect of this scheme, the Company has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

3. Significant accounting policies *(continued)*

n) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

p) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legally enforceable right to offset the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or of gains and losses arising from a group of similar transactions such as in the Company's trading activity.

q) Directors remuneration

Pursuant to Article 169 of Federal Law No. 2 of 2015 and in accordance with the Articles of Association of the Company, the Directors are entitled for remuneration which shall not exceed 10% of the net profits after deducting depreciation and reserves.

r) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however the Company has not early adopted the following new or amended standards in preparing these financial statements:

Accounting Standard	**Description**	**Effective date**
IFRS 16	Leases	(effective 1 January 2019)
IFRS 17	Insurance Contracts	(effective 1 January 2022)

3. Significant accounting policies *(continued)*

r) New standards and interpretations not yet adopted *(continued)*

IFRS 16 Leases

The Company is required to adopt IFRS 16 Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including 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.

i. Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of the premises. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

The Company is in the process of evaluating the potential impact of IFRS 16 on the financial statements.

ii. Transition

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' as of 1 January 2022.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided that 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 not practical, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Management anticipates that IFRS 17 will be adopted in the Company's financial statements for the annual period beginning 1 January 2022. The application of IFRS 17 may have a significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its insurance contracts. However, it is not practical to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review.

Other standards

- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.

4. Risk management

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks. This section summarises these risk and the way the Company manages them:

i) Governance framework

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

ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

iii) Capital management framework

The primary objective of the Company's capital management is to comply with regulatory requirements in the UAE. The Company has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on economic capital. The Company fully complied with externally imposed capital requirements and no changes were made in the objectives, policies or processes during the year ended 31 December 2018.

iv) Regulatory framework

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

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

v) Asset liability management ("ALM")

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 main risk that the Company faces due to the nature of its investments and liabilities is interest rate risk and equity price risk. The Company manages these positions within an ALM frame work that has been developed by management to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

4. Risk management *(continued)*

v) Asset liability management ("ALM") *(continued)*

The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Company's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

a) Insurance risks

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

The Company writes the following types of general insurance and life insurance contracts:

General insurance contracts
- Liability insurance
- Property insurance
- Motor insurance
- Fire insurance
- Health insurance
- Marine Insurance
- Engineering Insurance

Life insurance contracts
- Group life insurance
- Individual life insurance

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

Underwriting strategy

General insurance

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

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

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

Life insurance

Underwriting is managed at each business unit through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

4. Risk management *(continued)*

a) Insurance risks *(continued)*

Life insurance *(continued)*

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

Reinsurance strategy

The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

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

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

b) Financial risks

The Company has exposure to the following primary risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

i) Credit risk

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

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

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

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

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

4. Risk management *(continued)*

b) Financial risks *(continued)*

i) Credit risk *(continued)*

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

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Investments		**Insurance and other receivables**		**Reinsurance assets**	
	2018	2017	**2018**	2017	**2018**	2017
	AED	AED	**AED**	AED	**AED**	AED
Carrying amount	**66,765,673**	68,773,951	**179,851,624**	194,101,336	**146,346,627**	179,500,862
Concentration by sector						
- Financial institution / Reinsurance companies	**44,455,640**	46,075,340	**8,846,818**	52,890,907	**146,346,627**	179,500,862
- Banks	**22,310,033**	22,698,611	**3,285,904**	1,819,750	**-**	-
- Real estate	**-**	-	**459,710**	19,097,760	**-**	-
- Service	**-**	-	**4,175,804**	-	**-**	-
- Others	**-**	-	**163,083,388**	120,292,919	**-**	-
Total carrying amount	**66,765,673**	68,773,951	**179,851,624**	194,101,336	**146,346,627**	179,500,862
Concentration by location						
- UAE	**55,885,203**	56,722,464	**159,074,914**	181,515,647	**5,391,365**	6,612,757
- GCC	**10,880,470**	12,051,487	**3,828,371**	2,623,761	**4,935,747**	6,053,921
- Other Arab Countries	**-**	-	**75,979**	3,205,345	**1,437,009**	1,762,558
- European Countries	**-**	-	**14,200,242**	6,108,114	**133,145,497**	163,309,069
- Others	**-**	-	**2,672,118**	648,469	**1,437,009**	1,762,557
Total carrying amount	**66,765,673**	68,773,951	**179,851,624**	194,101,336	**146,346,627**	179,500,862

The above class of financial instruments provide the best representation for the Company's maximum exposure to credit risk at the end of the year.

The concentrations by location for insurance and other receivables and reinsurance assets are measured based on the residential status of the counter parties. The concentration by location for non-trading investments is measured based on the location of the issuer of the security.

4. Risk management *(continued)*

b) Financial risks *(continued)*

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the maturity profile of the liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

		Contractual cash flows			
31 December 2018	**Carrying Value AED**	**Gross contractual cash flow AED**	**Less than 180 days AED**	**180 days to 1 year AED**	**1-5 Year AED**
Liabilities					
Insurance and other payables	**189,854,116**	**(189,854,116)**	**(189,854,116)**	**-**	**-**
31 December 2017	Carrying Value AED	Gross contractual cash flow AED	Less than 180 days AED	180 days to 1 year AED	1-5 Year AED
Liabilities					
Insurance and other payables	182,005,434	(182,005,434)	(182,005,434)	-	-

iii) Market risk

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

a) Currency risk

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

The Company's major exposures are in USD, including reinsurance arrangements which is pegged with AED and the Company's exposure to currency risk is limited to that extent.

b) 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.

The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Company's interest risk policy requires to manage interest risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

A summary of the Company's interest rate gap position on the non-trading portfolio based on contractual repayment is as follows:

4. Risk management *(continued)*

b) Financial risks *(continued)*

iii) Market risk *(continued)*

b) Interest rate risk *(continued)*

	2018 Fixed AED	2017 Fixed AED
Financial assets		
Investments at FVTOCI	**44,190,793**	44,974,918
Fixed income investments / bonds - quoted	**57,573,173**	55,429,213
Investments at amortised cost	**9,192,500**	-
Cash at bank	**226,187,392**	191,838,410
Total financial assets	**337,143,858**	292,242,541
Financial liabilities	**-**	-
Net financial instruments	**337,143,858**	292,242,541

Fair value sensitivity analysis for fixed rate instruments

Fixed rate interest bearing financial assets, which are carried at cost are not exposed to interest rate risk.

c) Equity price risk

Equity price risk is the risk that the fair value of a financial instruments 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 Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

The Company's equity price risk policy requires is to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, sector and market. The fair values of financial assets are not different from their carrying values.

Sensitivities

The table below shows the results of sensitivity testing on the Company's profit or loss and equity by type of investment. The sensitivity analysis indicates the effect of changes in price risk factors arising from the impact of the changes in these factors on the Company's investments:

	10% increase in price		**10% decrease in price**	
	Profit or loss	**OCI**	**Profit or loss**	**OCI**
31 December 2018				
Fair value through OCI	**-**	**4,419,079**	**-**	**(4,419,079)**
Fair value through profit or loss	**18,477,433**	**-**	**(18,477,433)**	**-**
31 December 2017				
Fair value through OCI	-	4,497,492	-	(4,497,492)
Fair value through profit or loss	16,693,133	-	(16,693,133)	-

4. Risk management *(continued)*

b) Financial risks *(continued)*

iv) Operational risk

Operational risk is the risk of loss arising from system 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 can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

5. Use of estimates and judgements

The areas of the Company's business containing key sources of estimation uncertainty include the measurement of insurance contract liabilities and the determination of the fair values of financial instruments.

Measurement of insurance contract liabilities

The Company's accounting policy in respect of insurance contract accounting is discussed in more detail in note 3(a). The key assumptions made in respect of insurance contract liabilities are included in Note 13.

Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Company.

There are a number of contracts sold where the Company exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Company is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

Individual life insurance

The assumptions used in the actuarial valuations for life fund are consistently applied and these assumptions are based on mortality and withdrawal rate assumptions. Also refer 3(a)(viii).

Provision for outstanding claims, whether reported or not

Considerable judgment by the management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the date of statement of financial position. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends and are presented in Note 13.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

5. Use of estimates and judgements *(continued)*

Impairment of financial instruments

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of Expected Credit Losses ("ECL").

The Company considers a financial asset to be in default when:

• The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

• The financial asset is more than 90 days past due.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Liability Adequacy Test

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

Valuation of investment property

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio annually.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

The Company has taken the highest and best use fair values for the fair value measurement of its investment properties.

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
1) Income valuation approach 2) Sales comparative valuation approach 3) Residual approach	-Expected market rental growth rate -Risk adjusted discount rates -Free hold property -Free of covenants, third party rights and obligations -Statutory and legal validity -Condition of the property, location and plot area -Recent sales value of comparable properties - Expected gross development value - Expected costs of construction	The estimated fair value increase/decrease if: - Expected market rental growth rate were higher - The risk adjusted discount rates were lower/higher - The property is not free hold - The property is subject to any covenants, rights and obligations - The property is subject to any adverse legal notices / judgment - The property is subject to any defect / damages - The property is subject to sales value fluctuations of surrounding properties in the area. - Changes in the estimated costs of construction.

6 Accounting classification of financial assets and financial liabilities

The table below shows a reconciliation between line items in the statement of financial position and categories of financial instruments.

At 31 December 2018	**FVTPL**	**FVTOCI**	**Amortised cost**	**Total carrying amount**
	AED	**AED**	**AED**	**AED**
Financial assets				
Investment securities	**184,774,325**	**44,190,793**	**24,192,500**	**253,157,618**
Insurance and other receivables	**-**	**-**	**166,621,540**	**166,621,540**
Cash and bank balances	**-**	**-**	**265,891,866**	**265,891,866**
	-	**-**	**456,705,906**	**685,671,024**
Financial liabilities				
Insurance and other payables	**-**	**-**	**189,854,116**	**189,854,116**
Payable to policyholders of unit linked products	**-**	**-**	**41,018,157**	**41,018,157**
	-	**-**	**230,872,273**	**230,872,273**

At 31 December 2017	FVTPL	FVTOCI	Amortised cost	Total carrying amount
	AED	AED	AED	AED
Financial assets				
Investment securities	189,669,387	44,565,553	24,192,500	258,427,440
Insurance and other receivables	-	-	186,601,336	186,601,336
Cash and bank balances	-	-	257,289,335	257,289,335
	-	-	468,083,171	702,318,111
Financial liabilities				
Insurance and other payables	-	-	217,858,864	217,858,864
Payable to policyholders of unit linked products	-	-	45,249,827	45,249,827
	-	-	263,108,691	263,108,691

7 Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

7 Fair value of financial instruments *(continued)*

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

a) Fair value hierarchy of assets/liabilities measured at fair value

The following table analyses assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

As at 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets	**AED**	**AED**	**AED**	**AED**
FVTPL - quoted equities	**133,756,168**	**41,018,157**	**10,000,000**	**184,774,325**
FVTOCI	**44,190,793**	**-**	**-**	**44,190,793**
Non-financial assets				
Investment properties	**-**	**-**	**218,779,637**	**218,779,637**
	177,946,961	**41,018,157**	**228,779,637**	**447,744,755**
Financial liabilities				
Payable to policyholders of unit linked products	**-**	**41,018,157**	**-**	**41,018,157**
	-	**41,018,157**	**-**	**41,018,157**

As at 31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets	AED	AED	AED	AED
FVTPL - quoted equities	144,419,560	45,249,827	-	189,669,387
FVTOCI	44,565,553	-	-	44,565,553
				-
Non-financial assets				-
Investment properties	-	-	228,689,290	228,689,290
	188,985,113	45,249,827	228,689,290	462,924,230
Financial liabilities				
Payable to policyholders of unit linked products	-	45,249,827	-	45,249,827
	-	45,249,827	-	45,249,827

7 Fair value of financial instrument *(continued)*

b) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2018

	Level 1	Level 2	Level 3	Total carrying amount
Financial assets	**AED**	**AED**	**AED**	**AED**
Investments securities	-	**24,192,500**	-	**24,192,500**
Insurance and other receivables	-	-	**166,621,540**	**166,621,540**
Cash and cash equivalents	-	**265,891,866**	-	**265,891,866**
	-	**290,084,366**	**166,621,540**	**456,705,906**
Financial liabilities				
Insurance and other payables	-	**189,854,116**	-	**189,854,116**
	-	**189,854,116**	-	**189,854,116**

As at 31 December 2017

	Level 1	Level 2	Level 3	Total carrying amount
Financial assets				
Investments securities	-	24,192,500	-	24,192,500
Insurance and other receivables	-	-	186,601,336	186,601,336
Cash and cash equivalents	-	257,289,336	-	257,289,336
	-	281,481,836	186,601,336	468,083,172
Financial liabilities				
Insurance and other payables	-	217,858,864	-	217,858,864
	-	217,858,864	-	217,858,864

The fair value of financial assets and liabilities is not significantly different from their carrying values.

8. Property and equipment and intangible assets

	Note	2018 AED	2017 AED
Operating assets	8.1	**28,616,081**	30,945,986
Intangible assets		**2,016,151**	1,003,459
Capital work in progress		-	1,784,214
At 31 December		**30,632,232**	33,733,659

National General Insurance Co. (P.J.S.C.)

Notes (continued)

8.1 Operating assets

	Land and office building AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Computer equipment AED	Total tangible operating assets AED	Intangible assets AED
Cost							
At 1 January 2017	34,314,711	9,195,019	1,506,441	265,050	7,013,735	52,294,956	7,641,884
Additions	-	105,640	18,770	-	279,069	403,479	1,797,166
Disposals	-	(2,200)	(18,000)	-	-	(20,200)	-
Transfers	-	-	-	-	247,350	247,350	(247,350)
At 31 December 2017	34,314,711	9,298,459	1,507,211	265,050	7,540,154	52,925,585	9,191,700
At 1 January 2018	34,314,711	9,298,459	1,507,211	265,050	7,540,154	52,925,585	9,191,700
Additions	-	34,399	288,072	58,000	228,064	608,535	-
Disposals	-	(8,599)	-	-	(74,830)	(83,429)	-
Transfers	-	-	-	-	(375,495)	(375,495)	386,144
At 31 December 2018	**34,314,711**	**9,324,259**	**1,795,283**	**323,050**	**7,317,893**	**53,075,196**	**9,577,844**
Depreciation & amortisation							
At 1 January 2017	5,148,265	7,508,735	1,287,129	254,575	4,956,381	19,155,085	5,532,937
Charge for the year	1,029,655	774,345	104,266	5,012	931,435	2,844,713	871,090
On disposals	-	(2,200)	(17,999)	-	-	(20,199)	-
At 31 December 2017	6,177,920	8,280,880	1,373,396	259,587	5,887,816	21,979,599	6,404,027
At 1 January 2018	6,177,920	8,280,880	1,373,396	259,587	5,887,816	21,979,599	6,404,027
Charge for the year	1,029,653	581,771	108,650	4,188	838,170	2,562,432	1,157,666
On disposals	-	(8,592)	-	-	(74,324)	(82,916)	-
At 31 December 2018	**7,207,573**	**8,854,059**	**1,482,046**	**263,775**	**6,651,662**	**24,459,115**	**7,561,693**
Carrying amounts							
At 31 December 2017	28,136,791	1,017,579	133,815	5,463	1,652,338	30,945,986	2,787,673
At 31 December 2018	**27,107,138**	**470,200**	**313,237**	**59,275**	**666,231**	**28,616,081**	**2,016,151**

8.2 Intangible assets

		2018 AED	2017 AED
Software	8.1	**2,016,151**	2,787,673

9. Investment properties (within UAE)

	2018 AED	2017 AED
At 1 January	**228,689,290**	227,277,827
Change in fair value	**(9,909,653)**	1,411,463
At 31 December	**218,779,637**	228,689,290

9. Investment properties (within UAE) *(continued)*

	2018 AED		2017 AED	
	Cost	**Fair Value**	Cost	Fair Value
Land	**119,627,060**	**128,825,000**	119,627,060	139,300,000
Office building	**63,156,439**	**89,954,637**	63,156,439	89,389,290
Total	**182,783,499**	**218,779,637**	182,783,499	228,689,290

Investment property includes two plots of land, and rented out portion of a commercial building.

The carrying amount of investment property is the fair value of the property as determined by independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued and is reviewed by the Board of Directors on a yearly basis. Fair values were determined based on income valuation approach, sales comparative approach and open market value basis. Significant assumption taken by the valuer are mentioned on Note 5.

The rental income and operating expenses relating to these properties are as follows:

	2018 AED	2017 AED
Fair value (loss) / gain on investment properties	**(9,909,653)**	1,411,463
Rental income	**6,292,581**	6,386,647
Operating expenses	**(1,994,107)**	(1,929,079)
Net rental income	**4,298,474**	4,457,568

10. Investment securities

	2018 AED	2017 AED
Financial assets at fair value through profit or loss	**184,774,325**	189,669,387
Financial assets at fair value through other comprehensive income	**44,190,793**	44,565,553
Financial assets at amortised cost	**24,192,500**	24,192,500
Less: expected credit losses	**(858,246)**	-
At 31 December	**252,299,372**	258,427,440

	2018 AED	2017 AED
Investments made		
- Within UAE	**212,492,935**	233,456,232
- Outside UAE	**39,806,437**	24,971,208
At 31 December	**252,299,372**	258,427,440

During the year ended 31 December 2018, the Company purchased shares worth AED 37.3 million (2017: AED 16.1 million) measured at fair value through profit or loss.

10. Investment securities *(continued)*

10.1 Investments at fair valued through profit or loss

	2018	2017
	AED	AED
Investments held on behalf of policyholders of unit linked products (note 24)	**41,018,157**	45,249,827
Equity investments – quoted	**91,182,995**	99,838,109
Equity investments – unquoted	**10,000,000**	-
Fixed income investments/ bonds – quoted	**42,573,173**	44,581,451
At 31 December	**184,774,325**	189,669,387

Equity investments classified at fair value through profit or loss are designated in this category upon the initial recognition.

11. Insurance and other receivables

	2018	2017
	AED	AED
Premium receivable	**33,375,220**	33,202,037
Reinsurance companies	**33,447,058**	30,904,773
Insurance agents and brokers	**90,070,133**	74,869,923
Due from related parties (Refer note 20)	**6,926,925**	5,122,806
Accrual of interest and other income	**3,492,088**	3,584,413
Deferred acquisition cost	**7,909,611**	9,846,779
Prepayments	**2,376,069**	3,157,763
VAT receivable	**2,529,664**	-
Other receivables	**10,010,536**	4,803,338
	190,137,304	165,491,832
Less: expected credit losses / provision against receivables (note 11.1)	**(13,230,084)**	(7,500,000)
At 31 December	**176,907,220**	157,991,832

11.1 Expected credit losses / provision against receivables

	2018	2017
	AED	AED
Balance 1 January	**7,500,000**	6,000,000
Impact of adoption of IFRS 9	**5,934,095**	-
Provision during the year	**(204,011)**	1,500,000
At 31 December	**13,230,084**	7,500,000

12 Cash and bank balances (within UAE)

	2018	2017
	AED	AED
Cash in hand	**50,425**	193,479
Cash at bank	**39,654,049**	29,979,680
Short term deposits	**226,187,392**	227,116,177
	265,891,866	257,289,336
Less : deposits with original maturities of greater than three months	**(226,187,392)**	(227,116,177)
Cash and cash equivalents at 31 December	**39,704,474**	30,173,159

12.1 Statutory deposit

	2018	2017
	AED	AED
Bank deposits maintained in accordance with Article 42 of UAE Federal	**7,500,000**	7,500,000
Law No. 6 of 2007	**7,500,000**	7,500,000

13. Insurance contract liabilities and reinsurance assets

Outstanding claims reserve

	2018 AED	2017 AED
Reserve for outstanding claims	**141,261,531**	171,753,184
Reserve for incurred but not reported claims (IBNR)	**59,203,401**	62,157,572
	200,464,932	233,910,756
Life assurance fund	**77,217,326**	77,994,856
Unearned premium reserve	**229,735,512**	209,182,198
Insurance contract liabilities	**507,417,770**	521,087,810
Less: Reinsurance assets		
Reinsurer share of outstanding claims	**(110,073,157)**	(139,688,837)
Reinsurer share of incurred but not reported claims (IBNR)	**(36,273,470)**	(39,812,025)
Unamortised reinsurance premium reserve	**(121,803,584)**	(103,116,204)
Reinsurance assets	**(268,150,211)**	(282,617,066)
Net insurance contract liabilities as at 31 December	**239,267,559**	238,470,744

Movements in outstanding claims and reinsurance assets (including IBNR)

	2018		
	Gross AED	**Reinsurance AED**	**Net AED**
Total at the beginning of the year	**233,910,756**	**(179,500,862)**	**54,409,894**
Less: settled during the year	**(320,481,240)**	**165,467,592**	**(155,013,648)**
Add: provision made during the year	**287,035,416**	**(132,313,357)**	**154,722,059**
At 31 December	**200,464,932**	**(146,346,627)**	**54,118,305**

	2017		
	Gross AED	Reinsurance AED	Net AED
Total at the beginning of the year	267,652,115	(213,462,661)	54,189,454
Less: settled during the year	(401,936,408)	237,731,080	(164,205,328)
Add: provision made during the year	368,195,049	(203,769,281)	164,425,768
At 31 December	233,910,756	(179,500,862)	54,409,894

Movements in unearned premium reserve

	2018		
	Gross AED	**Reinsurance AED**	**Net AED**
Balance at 1 January	**209,182,198**	**(103,116,204)**	**106,065,994**
Provision made during the year	**229,735,512**	**(121,803,584)**	**107,931,928**
Provision released during the year	**(209,182,198)**	**103,116,204**	**(106,065,994)**
At 31 December	**229,735,512**	**(121,803,584)**	**107,931,928**

	2017		
	Gross AED	Reinsurance AED	Net AED
Balance at 1 January	236,293,978	(128,422,336)	107,871,642
Provision made during the year	209,182,198	(103,116,204)	106,065,994
Provision released during the year	(236,293,978)	128,422,336	(107,871,642)
At 31 December	209,182,198	(103,116,204)	106,065,994

13. Insurance contract liabilities and reinsurance assets *(continued)*

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market practices or other published information.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The method used by the Company for provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

The assumptions that have the greatest effect on the measurement of insurance contract liabilities are the expected loss ratios for the most recent accident years.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process. The Company believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

Claim development table

			Underwriting year		
	2015	2016	2017	2018	Total
	AED	AED	AED	AED	AED
Gross					
Estimate of net incurred claims costs					
- At the end of underwriting year	180,760,575	271,265,210	202,182,539	314,894,030	969,102,354
- One year later	234,897,732	372,794,718	285,297,466	-	892,989,916
- Two years later	299,199,859	400,082,789	-	-	699,282,648
- Three years later	325,046,085	-	-	-	325,046,085
Current estimate of incurred claims	325,046,085	400,082,789	285,297,466	314,894,030	1,325,320,370
Cumulative payments to date	(301,382,681)	(383,512,314)	(266,858,273)	(214,945,988)	(1,166,699,256)
Liability recognised	23,663,404	16,570,475	18,439,193	99,948,042	158,621,114
Liability in respect of prior years					41,843,818
Total liability included in the statement of financial position					200,464,932
Net					
Estimate of net incurred claims costs					
- At the end of underwriting year	152,392,354	147,819,238	101,569,616	134,977,393	536,758,601
- One year later	185,229,282	177,186,870	134,945,716	-	497,361,868
- Two years later	192,087,510	186,564,887	-	-	378,652,397
- Three years later	196,771,255	-	-	-	196,771,255
Current estimate of incurred claims	196,771,255	186,564,887	134,945,716	134,977,393	653,259,251
Cumulative payments to date	(192,817,805)	(181,380,603)	(126,990,505)	(100,612,591)	(601,801,504)
Liability recognised	3,953,450	5,184,284	7,955,211	34,364,802	51,457,747
Liability in respect of prior years					2,660,558
Total liability included in the statement of financial position					54,118,305

13. Insurance contract liabilities and reinsurance assets *(continued)*

Summary of the Actuary's report on the Technical Provisions

Gross reserves	**As at 31 December 2018**		
	Life insurance AED	**General insurance AED**	**Total AED**
Reserve for outstanding claims (including IBNR)	**22,374,035**	**178,090,897**	**200,464,932**
Unearned premium reserve	**-**	**229,735,512**	**229,735,512**
Life assurance fund	**77,217,326**	**-**	**77,217,326**
Total	**99,591,361**	**407,826,409**	**507,417,770**

Net reserves	**As at 31 December 2018**		
	Life insurance AED	**General insurance AED**	**Total AED**
Reserve for outstanding claims (including IBNR)	**3,238,282**	**50,880,023**	**54,118,305**
Unearned premium reserve	**-**	**107,931,928**	**107,931,928**
Life assurance fund	**77,217,326**	**-**	**77,217,326**
Total	**80,455,608**	**158,811,951**	**239,267,559**

Gross reserves	As at 31 December 2017		
	Life insurance AED	General insurance AED	Total AED
Reserve for outstanding claims (including IBNR)	16,442,778	217,467,978	233,910,756
Unearned premium reserve	-	209,182,198	209,182,198
Life assurance fund	77,994,856	-	77,994,856
Total	94,437,634	426,650,176	521,087,810

Net reserves	As at 31 December 2017		
	Life insurance AED	General insurance AED	Total AED
Reserve for outstanding claims (including IBNR)	4,450,719	49,959,175	54,409,894
Unearned premium reserve	-	106,065,994	106,065,994
Life assurance fund	77,994,856	-	77,994,856
Total	82,445,575	156,025,169	238,470,744

Actuarial estimation of the insurance liabilities has been performed by the independent actuary in accordance with the requirement of new financial regulations issued under Federal Law No. 6 of 2007 pertaining to the insurance companies and agents. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

14. Insurance and other payables

	2018 AED	2017 AED
Creditors	**26,678,140**	22,264,628
Reinsurance companies	**74,887,265**	82,631,904
Premium reserve withheld	**58,117,174**	49,023,218
Due to related parties (refer note 20)	**547,452**	1,164,560
Accrued expenses	**7,165,365**	6,074,342
Employee terminal benefits	**10,138,208**	8,637,041
Commission payable	**620,677**	308,955
VAT payable	**2,754,621**	-
Other payable balances	**19,083,422**	17,384,356
At 31 December	**199,992,324**	187,489,004

15. Share capital and reserves

The Company's issued and fully paid share capital comprises 149,954,112 shares of AED 1 each.

	2018		2017	
	No. of Shares	**AED**	No. of Shares	AED
At 31 December	**149,954,112**	**149,954,112**	149,954,112	149,954,112

In accordance with the Company's Articles of Association and UAE Federal Law No. 2 of 2015, the Company transfers 10% of annual net profits, if any, to the legal reserve until it equals 50% of the share capital. Also, in accordance with its Articles of Association, 10% of annual net profits, if any, may be transferred to a general reserve until it is suspended by an Ordinary General Meeting upon a proposal by the Board of Directors or if this reserve amounts to 50% of the paid capital of the Company. The General reserve can be utilised for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Directors. The legal reserve and general reserve reached 50% of share capital during 2017.

The fair value reserve comprises the cumulative net change in fair value of financial assets designated as fair value through other comprehensive income.

16. Proposed cash dividend

The Board of Directors propose a cash dividend of AED 22.5 million (2017: AED 22.5 million).

17. Proposed directors' remuneration

In accordance with Article 169 of Federal Law No. 2 of 2015 , the Board of Directors has proposed remuneration of AED 2.4 million (2017: AED 2.5 million).

18. Net income from investments

	For the year ended 31 December	
	2018	2017
	AED	AED
Dividend income	**6,654,480**	2,951,092
Realised gains on investments	**6,035,023**	2,070,368
Unrealised loss on investments fair valued through profit or loss	**(9,196,638)**	(4,684,941)
Expenses/ charges on securities	**(326,748)**	(460,838)
	3,166,117	(124,319)

19. General and administrative expenses

	For the year ended 31 December	
	2018	2017
	AED	AED
General and administrative expenses for underwriting operations	**56,858,693**	47,722,949
Others- for investments and centralised operation	**15,389,142**	14,830,503
Total	**72,247,835**	62,553,452

The above general and administration expenses include the following costs:

	2018	2017
	AED	AED
Staff costs	**44,169,714**	36,987,646
Rent	**2,336,342**	2,360,659
Depreciation	**3,637,182**	3,715,803
Others	**20,431,169**	19,489,344
Total	**70,574,407**	62,553,452
Number of employees at 31 December	**380**	371

During the year ended 31 December 2018, the Company has paid AED 0.02 million (2017: AED 0.02 million) for various social contribution purposes.

20. Related party transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 (Revised). Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, executive or otherwise. Related party transactions are executed at the terms agreed between the parties, which the Company's management believes are not significantly different from those that could have been obtained from third parties.

a) Transactions with related parties

	2018	2017
	AED	AED
Key management personnel compensation		
Remuneration and short term benefits	**9,244,530**	9,278,747
End of service benefits	**548,723**	203,118
Other related parties		
Premiums written	**69,368,517**	69,791,041
Claims paid	**46,719,305**	36,842,897
Interest income	**425,000**	528,161
Dividend paid	**19,233,370**	12,822,247

b) Due from related parties

Insurance premium receivable (included in receivables)	**6,926,925**	5,122,806

c) Due to related parties

Payable to a related party (included in payables)	**547,452**	1,164,560

20. Related party transactions *(continued)*

	2018	2017
	AED	AED
d) Cash and cash equivalents		
Cash at bank	**34,417,262**	12,750,131
Short term deposits	**119,820,894**	60,967,007

21. Contingent liabilities and commitments

Leases as a lessee

Non cancellable operating lease rentals are payable as follows:

	2018	2017
	AED	AED
Less than one year	**733,867**	499,784

The Company leases office premises under operating lease. The leases typically run for a period of one year, with an option to renew the lease after that date. Lease rentals are usually increased / decreased annually to reflect the market rentals.

Capital commitments

Capital commitments as at 31 December 2018 amounted to nil (2017: nil).

Guarantees

	2018	2017
	AED	AED
Letters of guarantees	**10,152,390**	10,857,656

Fixed deposit amounting to AED 16.04 million (2017: AED 15.7 million) are under lien as collateral in respect of above guarantees (refer note 11). Guarantees includes an amount of AED 7.5 million (2016: AED 7.5 million) favoring the Ministry of Economy.

Contingent liabilities

The Company, in common with other insurance companies, is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Company in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

22. Segment information

Operating segment information

For management purposes the Company is organised into two operating segments, general insurance and life assurance. These segments are the basis on which Company reports its primary segment information

	General insurance		Life assurance		Total	
	2018	2017	**2018**	2017	**2018**	2017
	AED	AED	**AED**	AED	**AED**	AED
UNDERWRITING INCOME						
Gross written premium	**502,093,117**	510,690,330	**49,319,994**	60,962,740	**551,413,111**	571,653,070
Reinsurance ceded	**(276,049,887)**	(277,583,251)	**(18,645,482)**	(20,191,442)	**(294,695,369)**	(297,774,693)
Net premium	**226,043,230**	233,107,079	**30,674,512**	40,771,298	**256,717,742**	273,878,377
Change in unearned premium provision	**(1,781,684)**	1,185,419	**(84,250)**	620,229	**(1,865,934)**	1,805,648
Reinsurance commission earned	**29,891,851**	27,643,266	**6,305,342**	6,084,200	**36,197,193**	33,727,466
Total underwriting income	**254,153,397**	261,935,764	**36,895,604**	47,475,727	**291,049,001**	309,411,491
UNDERWRITING EXPENSES						
Net incurred claims	**(127,283,432)**	(130,886,353)	**(27,438,627)**	(33,539,415)	**(154,722,059)**	(164,425,768)
Commission incurred	**(40,599,726)**	(51,052,723)	**(2,671,636)**	(3,500,623)	**(43,271,362)**	(54,553,346)
Administrative expenses	**(49,160,181)**	(43,897,971)	**(7,698,512)**	(3,824,978)	**(56,858,693)**	(47,722,949)
Total underwriting expenses	**(217,043,339)**	(225,837,047)	**(37,808,775)**	(40,865,016)	**(254,852,114)**	(266,702,063)
Profit before movement in life assurance fund	**37,110,058**	36,098,717	**(913,171)**	6,610,711	**36,196,887**	42,709,428
Net movement in life assurance fund and payable to policyholders of unit linked products	**-**	-	**5,009,200**	(14,085,267)	**5,009,200**	(14,085,267)
(Decrease) / increase in fair value of investment held for unit linked products	**-**	-	**(4,723,745)**	9,042,268	**(4,723,745)**	9,042,268
Underwriting profit	**37,110,058**	36,098,717	**(627,716)**	1,567,712	**36,482,342**	37,666,429
Profit from investments, interest and rental income					**10,271,980**	14,147,133
Unallocated expenses					**(15,389,142)**	(14,830,503)
Net profit for the year					**31,365,180**	36,983,059

22. Segment information *(continued)*

Operating segment information

For management purposes the Company is organised into two operating segments, general insurance and life assurance. These segments are the basis on which Company reports its primary segment information.

	General insurance		Life assurance		Total	
	2018	2017	**2018**	2017	**2018**	2017
	AED	AED	**AED**	AED	**AED**	AED
ASSETS						
Property and equipment	**28,616,081**	30,097,828	**-**	848,158	**28,616,081**	30,945,986
Intangible assets	**2,016,151**	2,787,673	**-**	-	**2,016,151**	2,787,673
Investment properties	**178,504,637**	185,139,290	**40,275,000**	43,550,000	**218,779,637**	228,689,290
Investments securities	**152,790,359**	153,080,412	**99,509,013**	105,347,028	**252,299,372**	258,427,440
Reinsurance assets	**248,101,107**	269,657,420	**20,049,104**	12,959,646	**268,150,211**	282,617,066
Insurance and other receivables	**156,590,328**	136,960,160	**20,316,892**	21,031,672	**176,907,220**	157,991,832
Cash and bank balances	**216,447,304**	203,756,772	**49,444,562**	53,532,563	**265,891,866**	257,289,335
Total assets	**983,065,967**	981,479,555	**229,594,571**	237,269,067	**1,212,660,538**	1,218,748,622
LIABILITIES						
Insurance contract liabilities	**405,276,110**	424,129,891	**102,141,660**	96,957,919	**507,417,770**	521,087,810
Insurance and other payables	**193,462,937**	170,520,861	**6,529,387**	16,968,143	**199,992,324**	187,489,004
Payable to policyholders of unit linked products	**-**	-	**41,018,157**	45,249,827	**41,018,157**	45,249,827
Total liabilities	**598,739,047**	594,650,752	**149,689,204**	159,175,889	**748,428,251**	753,826,641
EQUITY						
Share capital	-	-	-	-	**149,954,112**	149,954,112
Legal reserve	-	-	-	-	**74,977,056**	74,977,056
General reserve	-	-	-	-	**74,977,056**	74,977,056
Fair value reserve	-	-	-	-	**(73,080)**	(53,243)
Retained earnings	-	-	-	-	**164,397,143**	165,067,000
Total equity	-	-	-	-	**464,232,287**	464,921,981
Total liabilities and equity	-	-	-	-	**1,212,660,538**	1,218,748,622

23. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year, as set out below:

	2018 AED	2017 AED
Net profit for the year	**31,365,180**	36,983,059
Weighted average number of shares outstanding during the year	**149,954,112**	149,954,112
Basic earnings per share	**0.21**	0.25

There is no dilution effect to the basic earnings per share.

24. Payable to policyholders of unit linked products - at FVTPL

	2018 AED	2017 AED
As at 1 January	**45,249,827**	37,195,602
Amount invested by policyholders	**9,724,614**	11,707,674
Amount withdrawn at redemption/ lapse / surrender by policyholder	**(9,232,539)**	(12,695,717)
Change in fair value	**(4,723,745)**	9,042,268
At 31 December (Note 10.1)	**41,018,157**	45,249,827

25. Comparative figures

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the financial statements.