

# **Al Wathba National Insurance Company (PJSC)**

## **BOARD OF DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

**Al Wathba National Insurance  
Company (PJSC)**

**BOARD OF DIRECTORS' REPORT**

**31 DECEMBER 2016**



شركة الوثبة الوطنية للتأمين  
AL WATHBA NATIONAL INSURANCE CO. PJSC

## Board of Directors' Report

For the Period Ended 31 December 2016

The Board of Directors of Al Wathba National Insurance Company (the "Company") is pleased to submit the annual report of the Company's activities accompanied by the financial statements reviewed by the external auditors for the period ended 31 December 2016.

The UAE economy witnessed a healthy level of growth in various sectors of the economy in 2016 in comparison with neighboring countries in the region despite prevailing low levels of oil prices. This reflects the government's astute economic policy which aims for economic diversification by increasing GDP generated by the non-oil sectors. This was evident from the results announced by various local companies and institutions operating in various sectors in particular; the financial, tourism and services sectors. The exceptional level of performance of the UAE economy as well as the notable activity of the financial markets during the year had a positive impact on companies in the services sector as did Al Wathba National Insurance Company. The company was able to achieve a significant increase in net profit of 54.377 million dirhams in comparison to 18.156 million dirhams in 2015 for the same period.

This exceptional level of performance is attributed to the contribution of the company's investments which increased in 2016 achieving 78.596 million dirhams compared with 10.752 million dirhams in the year 2015. These results reflect the performance of the company's investment portfolio in the financial markets which focused mainly on vital sectors and companies of interest, in addition, the company's real estate portfolio had a positive performance despite the slowdown in the real estate market.

The company's insurance business generated a loss of (24.219) million dirhams in net underwriting income compared to a profit of 7.404 million dirhams in 2015. This downturn was attributed to the performance of the health insurance line where due to low profit margins and the nature of this class of business was decided by the company's management to downsize its services in the current period.

It should be noted that the company was able to achieve positive results in other types of insurance and its strategy is to concentrate on building a sizeable portfolio of such classes while focusing on the technicality of the underwriting.

رأس المال المدفوع و المصرح به (٢٠٧) مليون درهم شركة خاضعة لأحكام القانون الاتحادي رقم (٦) لسنة ٢٠٠٧ في شأن إنشاء هيئة التأمين وتنظيم أعماله ومقيدة بسجل شركات التأمين الرقم (١٠)

المكتب الرئيسي : ص.ب. : ٤٥١٥٤ ، أبوظبي ، أ.ع.م. ، هاتف : ٤١٨٥٣٠٠ (٢) +٩٧١ ، فاكس : ٦٧٧٦٦٢٨ (٢) +٩٧١

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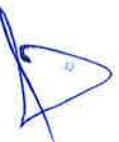
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Finally, the Board of Directors seizes this opportunity to express its highest thanks and appreciation to H.H Shiekh Khalifa Bin Zayed Al Nahyan, President of UAE and Ruler of Abu Dhabi and H.H Shiekh Mohamed Bin Rashid Al Maktoum, the Vice President , Prime Minister and the ruler of Dubai and H.H Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince and to all the rulers of the Emirates for their steadfast support for the progress of this country, all its economic institutions and Al Wathba National Insurance Company.

The Board of Directors likewise extends its appreciation and gratitude to all the company's shareholders and customers for their trust and continued support, and to all staff for their dedication and contribution to the company's performance during the last period.

**Board Member**



**Al Wathba National Insurance  
Company (PJSC)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF AL WATHBA NATIONAL INSURANCE COMPANY PJSC**

#### **Report on the Audit of Consolidated Financial Statements**

##### *Opinion*

We have audited the accompanying consolidated financial statements of Al Wathba National Insurance Company PJSC and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of income, comprehensive income, changes in equity and consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

##### *Basis for opinion*

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

##### *Key audit matters*

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

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

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF AL WATHBA NATIONAL INSURANCE COMPANY PJSC continued

#### *Key audit matters continued*

- a) Estimates and judgements used in calculation of insurance contract provisions (refer to note 14 in the consolidated financial statements)

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

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

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

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

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

- b) Estimation of liability against outstanding claims (refer to note 14 in the consolidated financial statements)

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

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

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF AL WATHBA NATIONAL INSURANCE COMPANY PJSC** continued

#### *Key audit matters continued*

c) Valuation of investment properties (refer to note 8 in the consolidated financial statements)

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

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

We assessed the Valuers' independence, qualifications and expertise and read their terms of engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

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

d) Recoverability of insurance receivables from policy holders, insurance companies and reinsurance companies (refer to note 7 in the consolidated financial statements)

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

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

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



## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF AL WATHBA NATIONAL INSURANCE COMPANY PJSC** continued

#### *Other information included in the Group's 2016 Annual Report*

Other information consists of the information included in the Group's 2016 Annual Report and Board of Directors report, other than the consolidated financial statements and our auditor's report thereon. We obtained the Board of Directors Report prior to the date of our audit report, and we expect to obtain the sections of the Annual Report after the date of our auditor's opinion. Management is responsible for the other information.

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

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

#### *Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements*

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

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

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

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

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF AL WATHBA NATIONAL INSURANCE COMPANY PJSC continued

#### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements continued*

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

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

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

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

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

## **INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF AL WATHBA NATIONAL INSURANCE COMPANY PJSC**  
continued

### **Report on Other Legal and Regulatory Requirements**

We report that:

- (i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- (ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007, and the Articles of Association of the Company;
- (iii) the Group has maintained proper books of account;
- (iv) the financial information included in the Directors' report is consistent with the books of account and records of the Group;
- (v) investments in shares and stocks are included in notes 4, 5 and 6 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2016;
- (vi) note 19 reflects material related party transactions and the terms under which they were conducted; and
- (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 Group has contravened, during the financial year ended 31 December 2016, any of the applicable provisions of the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007, or of its Articles of Association which would have a material impact on its activities or its consolidated financial position as at 31 December 2016.



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

13 March 2017  
Abu Dhabi

# Al Wathba National Insurance Company (PJSC)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	31 December 2016 AED 000	31 December 2015 AED 000
<b>ASSETS</b>			
Cash and bank balances	3	105,482	85,542
Investments carried at fair value through other comprehensive income	4	243,686	190,544
Investments carried at fair value through profit or loss	5	333,041	295,105
Investments at amortised cost	6	5,000	5,000
Insurance receivables and prepayments	7	89,611	96,379
Reinsurance contracts assets	14	198,159	162,926
Investment properties	8	338,298	338,017
Investment in associates	9	132,198	131,918
Property and equipment	10	6,145	7,305
Intangible asset	28	2,311	-
<b>TOTAL ASSETS</b>		<b>1,453,931</b>	<b>1,312,736</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	207,000	207,000
Legal reserve	12	103,500	76,146
Statutory reserve	12	51,750	51,750
General reserve	12	23,323	23,323
Capital reserve	12	9,959	9,959
Investment revaluation reserve		19,267	2,236
Retained earnings		406,263	404,420
<b>Equity attributable to equity holders of the parent</b>		<b>821,062</b>	<b>774,834</b>
Non-controlling interests		119	-
<b>Total equity</b>		<b>821,181</b>	<b>774,834</b>
<b>LIABILITIES</b>			
Employees' end of service benefits	18	9,056	9,147
Insurance contract liabilities	14	329,133	296,877
Bank overdrafts	3	191,506	124,059
Trade and other payables	17	103,055	107,819
<b>Total liabilities</b>		<b>632,750</b>	<b>537,902</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,453,931</b>	<b>1,312,736</b>

BOARD MEMBER

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

The attached notes 1 to 29 form part of these consolidated financial statements.

# Al Wathba National Insurance Company (PJSC)

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	2016 AED 000	2015 AED 000
<b>Underwriting revenue</b>			
Gross premiums written	27.1	294,781	343,389
Change in unearned premium provision		<u>(3,749)</u>	<u>12,375</u>
<b>Premium income earned</b>		<b>291,032</b>	<b>355,764</b>
Reinsurance premium ceded	27.1	(149,096)	(130,663)
Change in reinsurance share of unearned premium		<u>(56)</u>	<u>(11,345)</u>
<b>Reinsurance premium ceded</b>		<b>(149,152)</b>	<b>(142,008)</b>
<b>Net premium earned</b>		<b>141,880</b>	<b>213,756</b>
<b>Underwriting expenses</b>			
Gross claims paid		(230,309)	(267,923)
Less: claims recovered from reinsurers		<u>89,799</u>	<u>97,680</u>
Net claims paid		(140,510)	(170,243)
Net movement in provision for outstanding claims	16	4,323	15,155
Net movement in claims incurred but not reported	16	<u>2,459</u>	<u>(17,790)</u>
<b>Net claims incurred</b>	27.1	<b>(133,728)</b>	<b>(172,878)</b>
<b>Commissions</b>			
Commission earned		36,127	32,339
Less: commission expense		<u>(24,512)</u>	<u>(24,727)</u>
<b>Net commission earned</b>	27.1	<b>11,615</b>	<b>7,612</b>
<b>Underwriting income</b>		<b>19,767</b>	<b>48,490</b>
General and administrative expenses relating to underwriting	20	<u>(43,986)</u>	<u>(41,086)</u>
<b>Net underwriting (loss) income</b>		<b>(24,219)</b>	<b>7,404</b>
Other expenses	20	(17,801)	(4,926)
Net investment income	21	83,522	6,411
Share of profit of associates	9	16,077	11,891
Net income arising from brokerage services		1,892	-
Finance costs		<u>(5,094)</u>	<u>(2,624)</u>
<b>PROFIT FOR THE YEAR</b>	22	<b>54,377</b>	<b>18,156</b>
Attributable to:			
Equity holders of the parent		54,397	18,156
Non-controlling interests		<u>(20)</u>	<u>-</u>
		<b>54,377</b>	<b>18,156</b>
Basic and diluted earnings per share (AED)	23	<u>0.26</u>	<u>0.09</u>

The attached notes 1 to 29 form part of these consolidated financial statements.

# Al Wathba National Insurance Company (PJSC)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 AED 000	2015 AED 000
<b>Profit for the year</b>		<b>54,377</b>	<b>18,156</b>
<b>Other comprehensive income (loss)</b>			
<b>Items that will not be reclassified to statement of income:</b>			
Share of other comprehensive loss of associates	9	(6,028)	(20,884)
Gain on sale of investments carried at fair value through other comprehensive income		-	1,587
Changes in fair value relating to investments carried at fair value through other comprehensive income, net	4	23,059	(65,050)
Board of directors' remuneration		(4,500)	(540)
<b>Other comprehensive income (loss) for the year</b>		<b>12,531</b>	<b>(84,887)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>		<b>66,908</b>	<b>(66,731)</b>
Attributable to:			
Equity holders of the parent		66,928	(66,731)
Non-controlling interests		(20)	-
		<b>66,908</b>	<b>(66,731)</b>

The attached notes 1 to 29 form part of these consolidated financial statements.

# Al Wathba National Insurance Company (PJSC)

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital AED 000	Legal reserve AED 000	Statutory reserve AED 000	General reserve AED 000	Capital reserve AED 000	Investment revaluation reserve AED 000	Retained earnings AED 000	Attributable to owners of company AED 000	Non-controlling interests AED 000	Total equity AED 000
Balance at 1 January 2015	207,000	74,330	51,750	23,323	9,959	89,887	416,366	872,615	-	872,615
Profit for the year	-	-	-	-	-	-	18,156	18,156	-	18,156
Other comprehensive (loss) income for the year	-	-	-	-	-	(85,934)	1,047	(84,887)	-	(84,887)
Total comprehensive (loss) income for the year	-	-	-	-	-	(85,934)	19,203	(66,731)	-	(66,731)
Transfer to retained earnings on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	(1,717)	1,717	-	-	-
Transfer to legal reserve	-	1,816	-	-	-	-	(1,816)	-	-	-
Dividends paid (note 11)	-	-	-	-	-	-	(31,050)	(31,050)	-	(31,050)
Balance at 31 December 2015	207,000	76,146	51,750	23,323	9,959	2,236	404,420	774,834	-	774,834
Balance at 1 January 2016	207,000	76,146	51,750	23,323	9,959	2,236	404,420	774,834	-	774,834
Profit for the year	-	-	-	-	-	-	54,397	54,397	(20)	54,377
Other comprehensive income (loss) for the year	-	-	-	-	-	17,031	(4,500)	12,531	-	12,531
Total comprehensive income (loss) for the year	-	-	-	-	-	17,031	49,897	66,928	(20)	66,908
Transfer to legal reserve (note 12)	-	27,354	-	-	-	-	(27,354)	-	-	-
Acquired as part of a business combination (note 28)	-	-	-	-	-	-	-	-	639	639
Capital reduction of a subsidiary (note 28)	-	-	-	-	-	-	-	-	(500)	(500)
Dividends paid (note 11)	-	-	-	-	-	-	(20,700)	(20,700)	-	(20,700)
Balance at 31 December 2016	207,000	103,500	51,750	23,323	9,959	19,267	406,263	821,062	119	821,181

The attached notes 1 to 29 form part of these consolidated financial statements.



# Al Wathba National Insurance Company (PJSC)

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 AED 000	2015 AED 000
<b>OPERATING ACTIVITIES</b>			
Profit for the year		54,377	18,156
Adjustments for:			
Unearned premium, net		3,805	(1,030)
Outstanding claims and claims incurred but not reported		28,507	(8,879)
Reinsurance share of outstanding claims and claims incurred but not reported		(35,289)	11,514
Depreciation of property and equipment	10	2,846	1,592
Changes in fair value of investment properties	8	(281)	(11,738)
Provision on insurance receivable, net	20	8,184	(961)
Provision for employees end of service benefits	18	1,125	2,091
Change in fair value of investments carried at fair value through profit or loss	5	(11,226)	57,746
Gain on disposal of investments carried at fair value through profit or loss	21	(32,106)	(16,303)
Gain on disposals of investments at amortised cost		-	(207)
Share of profit of associates	9	(16,077)	(11,891)
Revaluation gain on associate	9	(1,738)	-
Dividend income	21	(25,485)	(22,344)
(Gain) loss on disposal of property and equipment		(1)	1
Finance costs		5,094	2,624
Interest income	21	(1,123)	(149)
		(19,388)	20,222
Working capital changes:			
Insurance receivables and prepayments		16,018	(19,754)
Trade and other payables		(13,125)	3,728
Cash (used in) from operations		(16,495)	4,196
Finance costs paid		(5,094)	(2,624)
Employees' end of service benefits paid	18	(1,993)	(930)
Net cash from operating activities		(23,582)	642
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	10	(1,143)	(1,905)
Proceeds from disposal of property and equipment		1	12
Purchase of investments carried at fair value through other comprehensive income	4	(30,083)	(12,921)
Proceeds from disposal of investments carried at fair value through other comprehensive income		-	5,163
Purchase of investments carried at fair value through profit or loss	5	(263,719)	(197,582)
Proceeds from disposal of investments carried at fair value through profit or loss		269,115	153,394
Proceeds from disposal of investments at amortised cost		-	4,978
Capital reduction of a subsidiary – non-controlling interest		(500)	-
Acquisition of a subsidiary, net of cash acquired		(8,673)	-
Dividends received from associates	9	5,169	7,067
Term deposits		(4,048)	31,965
Interest received		1,123	149
Dividends received		25,485	22,344
Net cash (used in) from investing activities		(7,273)	12,664
<b>FINANCING ACTIVITY</b>			
Dividends paid		(20,700)	(31,050)
Cash used in financing activity		(20,700)	(31,050)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(51,555)	(17,744)
Cash and cash equivalents at the beginning of the year		(78,966)	(61,222)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	3	(130,521)	(78,966)

The attached notes 1 to 29 form part of these consolidated financial statements.



# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 1 GENERAL INFORMATION

Al Wathba National Insurance Company PJSC (the “Company”), incorporated in Abu Dhabi is registered as a public shareholding company in accordance with the UAE Federal Law No. (8) of 1984 (as amended). The Federal Law No. (2) of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. (8) of 1984. The Company is currently assessing the impact of the new law and expects to be fully compliant on or before 30 June 2016.

The Company is registered in accordance with UAE Federal Law No. (6) of 2007 on Establishment of Insurance Authority and Organisation of its Operations and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies, and is registered in the Insurance Companies Register under registration No. 10.

The Company’s principal activity is the transaction of general insurance and re-insurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain, and Sharjah. The Company is domiciled in the United Arab Emirates and its registered head office is P.O. Box 45154, Abu Dhabi, United Arab Emirates.

The Company’s ordinary shares are listed in the Abu Dhabi Securities Exchange.

These consolidated financial statements includes the financial performance and position of the Company and its subsidiary (collectively referred to as the “Group”).

The Group’s consolidated financial statements were approved for issuance by the Board of Directors on 13 March 2017.

### 2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of UAE Federal Law No. (2) of 2015, UAE Federal law No. (6) of 2007 and Insurance Authority Board Decision No. (25) of 2014.

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

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses will not be offset unless required or permitted by any accounting standard or interpretation.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the consolidated statement of financial position (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in note 25.

### 2.2 BASIS OF CONSOLIDATION

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

<i>Subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership</i>
Vision Capital Brokerage LLC	Brokerage services	United Arab Emirates	99% (2015: 10%)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 2.2 BASIS OF CONSOLIDATION continued

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

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

### 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following relevant amendments to IFRS effective as of 1 January 2016. Their adoption had no significant impact on the amounts reported in these consolidated financial statements or disclosures but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 1 – Disclosure Initiative;
- Amendments to IFRS 11 – Accounting for acquisition of interests in Joint Operations;
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities – Applying the consolidation exception;
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 - Investments in Associates & Joint Ventures.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

A brief description of the changes is provided below:

#### *Amendments to IAS 1 – Disclosure Initiative*

The amendments provide clarifications and narrow-focus improvements on materiality, presentation of primary statements, structure of notes, disclosure of accounting policies, and presentation of OCI arising from equity accounted investments. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose and how to structure notes in their consolidated financial statements.

#### *Amendments to IFRS 11 – Accounting for acquisition of interests in Joint Operations*

The amendments clarify that when acquiring an interest in a joint operation where the activity of the joint operation constitutes a business, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in IFRS 11, are to be applied. The requirements apply to the acquisition of both the initial interest and additional interests in a joint operation but any previously held interest in the joint operation would not be remeasured.

#### *Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities – Applying the consolidation exception*

The amendments define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

#### *Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization*

The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

#### *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 - Investments in Associates & Joint Ventures*

The amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- (a) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations).
- (b) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

### 2.4 SIGNIFICANT ACCOUNTING POLICIES

#### **Insurance contract**

##### *Classification*

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

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

##### *Premiums*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 2.4 SIGNIFICANT ACCOUNTING POLICIES continued

#### **Insurance contract continued**

##### *Premiums (continued)*

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

##### *Unearned premium provision*

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

##### *Unexpired risk reserve*

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

##### *Provision for premium deficiency / liability adequacy test*

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

##### *Claims*

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

##### *Reinsurance*

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

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

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

##### *Commission earned*

Commission earned are recognised as revenue over the period in which the related services are performed.

##### *Insurance receivables*

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 2.4 SIGNIFICANT ACCOUNTING POLICIES continued

#### **Insurance contract continued**

##### *Insurance payables*

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

##### *Insurance contract liabilities*

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

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

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

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

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

#### **Revenue - non insurance**

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

##### *Rental income*

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

##### *Interest income*

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

##### *Dividend income*

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

##### *Investment income*

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

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

##### *Realised and unrealised gain*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

**2.4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Finance cost**

Interest paid is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

**Financial assets**

Financial assets are classified in their entirety on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the investments. Financial assets are measured either at amortised cost or fair value.

Debt instruments are measured at amortised cost only if:

- (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the two criteria is not met the financial instrument is classified at fair value through profit or loss. Further, even if the asset meets the amortised cost criteria, the Group may choose at initial recognition to designate the financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. Interest and dividends income on investments classified as fair value through profit or loss are included in 'interest income' and 'dividend income' in the consolidated statement of income.

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

**Impairment of financial assets**

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

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

*Financial assets carried at amortised cost*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 2.4 SIGNIFICANT ACCOUNTING POLICIES continued

#### Impairment of financial assets continued

##### *Financial assets carried at amortised cost (continued)*

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

#### Derecognition of financial assets

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

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to the income statement.

#### Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of assets, as follows:

Furniture and fixtures	2-4 years
Motor vehicles	4 years
Building	20 years

Land is not depreciated. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair values less costs to sell and their values in use. Impairment losses are recognised in the income statement.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 2.4 SIGNIFICANT ACCOUNTING POLICIES continued

#### Business combinations

Acquisitions of businesses are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the cash and equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in income statements as gain on acquiring controlling interest.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in income statement.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to income statement where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 2.4 SIGNIFICANT ACCOUNTING POLICIES continued

#### Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of income reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

On acquisition of the investment in an associate, any difference (whether positive or negative) between the cost of acquisition and the investor's share of the fair values of the net identifiable assets of the associate is accounted for as goodwill (negative goodwill) in accordance with IFRS 3 Business Combinations.

#### Impairment of non-financial assets

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 2.4 SIGNIFICANT ACCOUNTING POLICIES continued

#### **Impairment of non-financial assets continued**

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

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

#### **Fair value measurement**

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

**2.4 SIGNIFICANT ACCOUNTING POLICIES** continued

**Fair value measurement** continued

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 26.

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

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

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

**Cash and cash equivalents**

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

**Provisions**

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

**Employees' benefits**

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

With respect to its national employees, the Group makes contributions to the Abu Dhabi Pension and Retirement Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

#### **Judgements**

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

#### *Classification of investments*

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

#### *Fair value of financial instruments*

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

#### **Estimation uncertainty**

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

#### *Provision for unearned premium reserve and unexpired risk reserve*

Unearned premium reserve includes unexpired risk reserve (URR), which is estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the consolidated statement of financial position date of UPR and URR reserve (net of related reinsurance asset) is AED 66.0 million (2015: AED 62.2 million).

#### *Provision for incurred but not reported claims (IBNR)*

Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated by an independent qualified consultant using the chain ladder and Bornhuetter-Ferguson actuarial techniques. The main assumption underlying those techniques are that the Group's past claims development experience which can be used to project future claims development and hence ultimate claims cost.

The carrying value at the consolidated statement of financial position date of IBNR (net of related reinsurance receivable) is AED 20.3 million (2015: AED 22.8 million).

#### *Provision for outstanding claims*

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Group generally estimates its claims based on previous experience. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters along with the Group's internal legal counsel normally estimate such claims.

The carrying value at the consolidated statement of financial position date of provision for outstanding claims (net of related reinsurance receivables) is AED 44.6 million (2015: AED 49 million). Further, the Group has made a provision of AED 13.6 million (2015: AED 15.1 million) in respect of claims requiring court or arbitration decisions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

**2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued**

**Estimation uncertainty continued**

*Reinsurance*

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

*Impairment of accounts receivable*

An estimate of the collectible amount of policy holders balances is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. At the consolidated statement of financial position date, gross insurance receivable balances were AED 49.1 million (2015: AED 58.1 million), and the provision for doubtful debts was AED 17.9 million (2015: AED 9.8 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

*Estimation of fair value of investment properties*

The fair value of investment properties is determined by independent real estate valuation consultants based on Comparative Method of Valuation method.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised.

Under the Comparative Method of Valuation the fair value is determined by considering recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices.

As a result of the fair value assessment, there was an increase in fair value of AED 0.3 million (2015: AED 11.7 million) recognised in the consolidated income statement for the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 2.5 FUTURE CHANGES IN ACCOUNTING POLICIES – NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards and amendments to existing standards issued but not yet effective up to the date of the issuance of the Groups's consolidated financial statements are listed below.

**IFRS 9: Financial Instruments - hedge accounting (Amendments to IFRS 9, IFRS 7 and IAS 39)** introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39. The Group is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its consolidated financial statements.

**IFRS 9: Financial Instruments - impairment** introduces new requirements for impairment. On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The IASB has addressed the key concern that arose as a result of the financial crisis that the incurred loss model in IAS 39 contributed to the delayed recognition of credit losses, by issuing the new impairment requirements that are based on a more forward-looking expected credit loss model. The requirements of IFRS 9 relating to impairment are for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is in the process of assessing the impact of the new amendment.

**IFRS 15: Revenue from Contracts with Customers** was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is in the process of assessing the impact of the new Standard.

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

**IAS 7: Statement of Cash Flows (Amendment)** was issued in January 2016 with the intention to improve disclosures of financing activities and help users to better understand reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their liabilities as a result of financing activities such as changes from cash flows and non-cash items. The amendment is effective from 1 January 2017. The Group is in the process of assessing the impact of the new amendment.

**IAS 12: Income Taxes (Amendment)** In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January 2017. The Group is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its consolidated financial statements.

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 3 CASH AND CASH EQUIVALENTS

	31 December 2016			31 December 2015		
	General AED'000	Life AED'000	Total AED'000	General AED'000	Life AED'000	Total AED'000
Bank and cash	60,985	-	60,985	41,893	-	41,893
Statutory deposit	6,000	-	6,000	6,000	-	6,000
Term deposits	<u>11,775</u>	<u>26,722</u>	<u>38,497</u>	<u>11,594</u>	<u>26,055</u>	<u>37,649</u>
Cash and bank balances	78,760	26,722	105,482	59,487	26,055	85,542
Less: bank overdrafts	(191,506)	-	(191,506)	(124,059)	-	(124,059)
Less: term deposits with original maturity over 3 months	(11,775)	(26,722)	(38,497)	(8,394)	(26,055)	(34,449)
Less: statutory deposits	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Cash and cash equivalents	<u>(130,521)</u>	<u>-</u>	<u>(130,521)</u>	<u>(78,966)</u>	<u>-</u>	<u>(78,966)</u>

Geographical concentration of cash and bank balances including bank overdrafts is as follows:

	31 December 2016			31 December 2015		
	General AED'000	Life AED'000	Total AED'000	General AED'000	Life AED'000	Total AED'000
Within UAE	<u>(112,746)</u>	<u>26,722</u>	<u>(86,024)</u>	<u>(64,572)</u>	<u>26,055</u>	<u>(38,517)</u>

Term deposits are held with financial institutions in UAE, with an original maturity of twelve months. Interest is receivable at annual rates ranging from 0.85% to 3% per annum (2015: 0.4% to 2.6% per annum).

In accordance with the requirements of UAE Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organisation of its Operations, the Group maintains a bank deposit of AED 6 million (2015: AED 6 million) which cannot be utilised without the consent of the UAE Insurance Authority.

### 4 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group's investments carried at fair value through other comprehensive income at the end of the reporting period are detailed below.

	2016 AED 000	2015 AED 000
Quoted securities	217,751	164,759
Unquoted securities	<u>25,935</u>	<u>25,785</u>
	<u>243,686</u>	<u>190,544</u>

Certain securities are registered in the name of a director on behalf of the Group. The fair value of these securities as at 31 December 2016 was AED 6.2 million (2015: AED 6 million).

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

	2016 AED 000	2015 AED 000
Fair value at 1 January	190,544	246,249
Additions	30,083	12,921
Disposals	-	(3,576)
Change in fair value	<u>23,059</u>	<u>(65,050)</u>
Fair value at 31 December	<u>243,686</u>	<u>190,544</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

**4 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**  
continued

The geographical distribution of investments carried at fair value through other comprehensive income is as follows:

	<i>2016</i> <i>AED 000</i>	<i>2015</i> <i>AED 000</i>
Within UAE	236,119	183,237
Outside UAE	<u>7,567</u>	<u>7,307</u>
	<u><b>243,686</b></u>	<u><b>190,544</b></u>

**5 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS**

Investments at fair value through profit or loss consist of quoted investments in UAE securities.

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

	<i>2016</i> <i>AED 000</i>	<i>2015</i> <i>AED 000</i>
Fair value at 1 January	295,105	292,360
Additions	263,719	197,582
Disposals	(237,009)	(137,091)
Change in fair value	<u>11,226</u>	<u>(57,746)</u>
Fair value at 31 December	<u><b>333,041</b></u>	<u><b>295,105</b></u>

The geographical distribution of investments at fair value through profit or loss is as follows:

	<i>2016</i> <i>AED 000</i>	<i>2015</i> <i>AED 000</i>
Within UAE	<u><b>333,041</b></u>	<u><b>295,105</b></u>

**6 INVESTMENTS AT AMORTISED COST**

Included in investments at amortised cost is a five-year sukuk amounting to AED 5,000 thousand (31 December 2015: AED 5,000 thousand) which carries interest of 6-month EIBOR + 300 bps or 7.5%, whichever is higher.



# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 7 INSURANCE RECEIVABLES AND PREPAYMENTS

	31 December 2016			31 December 2015		
	General AED'000	Life AED'000	Total AED'000	General AED'000	Life AED'000	Total AED'000
<i>Insurance receivables:</i>						
Due from policyholders	46,367	2,707	49,074	58,070	-	58,070
Less: allowance for doubtful receivables	(17,905)	-	(17,905)	(9,793)	-	(9,793)
	<u>28,462</u>	<u>2,707</u>	<u>31,169</u>	<u>48,277</u>	<u>-</u>	<u>48,277</u>
Due from insurance and reinsurance companies	22,850	4,683	27,533	1,463	10,306	11,769
Margin trading receivables	15,919	-	15,919	-	-	-
Amounts due from securities markets	6,265	-	6,265	-	-	-
Prepayments	1,727	-	1,727	1,978	-	1,978
Accrued income	2,918	-	2,918	3,202	-	3,202
Payment to acquire additional equity interest in an associate (note 9)	-	-	-	26,188	-	26,188
Other receivables	<u>3,573</u>	<u>507</u>	<u>4,080</u>	<u>4,491</u>	<u>474</u>	<u>4,965</u>
	<u>81,714</u>	<u>7,897</u>	<u>89,611</u>	<u>85,599</u>	<u>10,780</u>	<u>96,379</u>

As at 31 December, the ageing of unimpaired insurance receivables is as follows:

	Neither past due nor impaired		Past due but not impaired			
	Total AED '000	impaired AED '000	31-90 days AED '000	91 - 180 days AED '000	180 - 365 days AED '000	Above 365 days AED '000
<b>31 December 2016</b>						
Insurance receivables	26,138	5,878	6,765	6,096	4,413	2,986
<b>31 December 2015</b>						
Insurance receivables	48,277	7,853	8,912	16,488	7,750	7,274

The movement in the allowance for impaired receivables is as follows:

	31 December 2016			31 December 2015		
	General AED'000	Life AED'000	Total AED'000	General AED'000	Life AED'000	Total AED'000
At 1 January	9,793	-	9,793	11,386	-	11,386
Charge for the year	10,766	-	10,766	1,525	-	1,525
Amounts written off during the year	(72)	-	(72)	(632)	-	(632)
Amounts recovered during the year	<u>(2,582)</u>	<u>-</u>	<u>(2,582)</u>	<u>(2,486)</u>	<u>-</u>	<u>(2,486)</u>
At 31 December	<u>17,905</u>	<u>-</u>	<u>17,905</u>	<u>9,793</u>	<u>-</u>	<u>9,793</u>

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 7 INSURANCE RECEIVABLES AND PREPAYMENTS continued

In accordance with the Board of Director's Decision Number (25) of 2014 pertinent to the Financial Regulations for Insurance Companies, the Group has categorised the Insurance receivables as follows:

	2016 AED'000	2015 AED'000
Due from policyholders	35,073	43,771
Less: allowance for doubtful receivables	<u>(9,929)</u>	<u>(4,558)</u>
	25,144	39,213
Due from insurance and reinsurance companies	27,533	11,769
Due from third party administrators	8	1,269
Due from brokers / agents	13,993	13,030
Less: allowance for doubtful receivables	<u>(7,976)</u>	<u>(5,235)</u>
Insurance receivable – net	<u>58,702</u>	<u>60,046</u>

#### Inside UAE:

Due from policyholders	35,073	43,771
Less: allowance for doubtful receivables	<u>(9,929)</u>	<u>(4,558)</u>
	25,144	39,213
Due from insurance and reinsurance companies	514	514
Due from third party administrators	8	1,269
Due from brokers / agents	13,993	13,030
Less: allowance for doubtful receivables	<u>(7,976)</u>	<u>(5,235)</u>
Insurance receivable – net	<u>31,683</u>	<u>48,791</u>

#### Outside UAE:

Due from insurance and reinsurance companies	<u>27,019</u>	<u>11,255</u>
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#### Receivable ageing details:

	Not due AED'000	Less than 90 days AED'000	91 – 180 days AED'000	181 – 365 days AED'000	>366 days AED'000	Total AED'000
<b>31 December 2016</b>						
<b>Inside UAE</b>						
Policyholders	5,206	5,919	6,676	5,249	2,094	25,144
Insurance and reinsurance companies	5	224	45	141	99	514
Agents	13	199	209	168	-	589
Brokers	1,476	2,331	989	568	63	5,427
Third party administrators	<u>3</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>
	<u>6,703</u>	<u>8,679</u>	<u>7,919</u>	<u>6,126</u>	<u>2,256</u>	<u>31,683</u>
<b>31 December 2016</b>						
<b>Outside UAE</b>						
Insurance and reinsurance companies	<u>13,069</u>	<u>11,286</u>	<u>275</u>	<u>210</u>	<u>2,179</u>	<u>27,019</u>

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 7 INSURANCE RECEIVABLES AND PREPAYMENTS continued

#### Receivable ageing details:

	<i>Not due AED '000</i>	<i>Less than 90 days AED '000</i>	<i>91 – 180 days AED '000</i>	<i>181 – 365 days AED '000</i>	<i>&gt;366 days AED '000</i>	<i>Total AED '000</i>
<b>31 December 2015</b>						
<b>Inside UAE</b>						
Policyholders	4,641	7,230	15,722	7,626	3,994	39,213
Insurance and reinsurance companies	99	65	24	137	189	514
Agents	68	-	-	-	-	68
Brokers	1,883	1,674	766	124	3,280	7,727
Third party administrators	<u>1,261</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,269</u>
	<u>7,952</u>	<u>8,977</u>	<u>16,512</u>	<u>7,887</u>	<u>7,463</u>	<u>48,791</u>
<b>Outside UAE</b>						
Insurance and reinsurance companies	<u>4,219</u>	<u>2,588</u>	<u>1,095</u>	<u>803</u>	<u>2,550</u>	<u>11,255</u>

### 8 INVESTMENT PROPERTIES

	<i>Land AED '000</i>	<i>Buildings AED '000</i>	<i>Total AED '000</i>
<b>2016</b>			
At 1 January 2016	<b>73,000</b>	<b>265,017</b>	<b>338,017</b>
Changes in fair value	<u><b>5,650</b></u>	<u><b>(5,369)</b></u>	<u><b>281</b></u>
At 31 December 2016	<u><b>78,650</b></u>	<u><b>259,648</b></u>	<u><b>338,298</b></u>
<b>2015</b>			
At 1 January 2015	62,750	263,529	326,279
Changes in fair value	<u>10,250</u>	<u>1,488</u>	<u>11,738</u>
At 31 December 2015	<u>73,000</u>	<u>265,017</u>	<u>338,017</u>

Investment properties include:

#### (i) Abu Dhabi Head Office building

The Group occupies three floors of the building for its Head Office with the remaining sixteen floors available for letting to third parties. The fair value of this property is estimated to be AED 172.01 million (2015: AED 175.25 million).

#### (ii) Al Jumeirah Island Commercial villas

This property consists of five villas in Dubai available for letting to third parties. The fair value of this property is estimated to be AED 29.5 million (2015: AED 33 million).

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 8 INVESTMENT PROPERTIES continued

#### (iii) Al Nakheel flat

This property is located at Al Nakheel building, The Greens; Dubai, and is available for letting to third parties. The fair value of this property is estimated to be AED 1.85 million (2015: AED 1.35 million).

#### (iv) Land in Dubai Technology, Electronic, Commerce and Media Free Zone Authority

The freehold land in Dubai was purchased in 2004. The fair value of this plot of land in Dubai is estimated to be AED 78.65 million (2015: AED 73 million).

#### (v) New York residential condominium units

Three condominium units, being unit no's.11D 14A and 14B located in New York, United States of America. The fair value of these properties are estimated to be AED 56.24 million (2015: AED 55.42 million).

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

	2016 AED 000	2015 AED 000
Rental income	15,653	16,628
Direct operating expenses	<u>(5,072)</u>	<u>(4,620)</u>
	<u>10,581</u>	<u>12,008</u>

The fair value of the Group's investment properties as at 31 December 2016 and 2015 has been arrived by management by reference to valuation carried out on the respective dates by an independent valuer not related to the Group. The independent valuer has appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value of land and buildings was determined based on the market comparable approach that reflects recent transaction prices for similar properties or quotes/bid prices for same or similar assets. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

### 9 INVESTMENT IN ASSOCIATES

Details of Group's associates as of 31 December are as follows:

Name of the associate	Principal activities	Place of incorporation	2016 Ownership interest %	2015 Ownership interest %
Vision Insurance SAOC	Insurance business	Sultanate of Oman	20%	20%
Vision Capital Brokerage Company LLC	Brokerage services	United Arab Emirates	99%	10%
UR International Insurance	Insurance business	Iraq	40%	40%
FOODCO Holding PJSC	Import and distribution of food stuff	United Arab Emirates	23%	23%

During 2015, the Group entered into a contract to acquire additional equity interest in Vision Capital Brokerage Company LLC (VCB), in order to increase its ownership interest to 99%. The total purchase consideration is AED 56.4 million, out of which AED 26.2 million was paid in advance during the year 31 December 2015. At the Annual General Meeting held on 20 April 2016, the shareholders approved the Group's acquisition of an additional 89% interest in the voting shares of VCB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

9 INVESTMENT IN ASSOCIATES continued

The movement on investment in associates during the year is as follows:

	2016 AED 000	2015 AED 000
At 1 January	131,918	147,978
Fair value gain of previously held interest in VCB (note 21)	1,738	-
Share of profit for the year	16,077	11,891
Share of other comprehensive loss of associates	(6,028)	(20,884)
Less: transfer to investment in subsidiary (note 28)	(6,338)	-
Less: cash dividends received	<u>(5,169)</u>	<u>(7,067)</u>
At 31 December	<u>132,198</u>	<u>131,918</u>

The summarised financial information in respect of the Group's associates is set out below:

	<i>FOODCO Holding PJSC AED 000</i>	<i>Vision Insurance SAOC AED 000</i>	<i>Others AED 000</i>	<i>Total AED 000</i>
<b>2016</b>				
Total assets	874,033	189,892	21,579	1,085,504
Total liabilities	<u>(398,505)</u>	<u>(109,266)</u>	<u>(2,341)</u>	<u>(510,112)</u>
Net assets	<u>475,528</u>	<u>80,626</u>	<u>19,238</u>	<u>575,392</u>
Group's share of associates' net assets	<u>108,489</u>	<u>16,125</u>	<u>7,584</u>	<u>132,198</u>
Total revenue	<u>221,011</u>	<u>144,937</u>	<u>5,094</u>	<u>371,042</u>
Profit for the year	<u>56,744</u>	<u>9,527</u>	<u>2,189</u>	<u>68,460</u>
Group's share of associates' profit for the year	<u>13,297</u>	<u>1,905</u>	<u>875</u>	<u>16,077</u>
<b>2015</b>				
Total assets	878,080	169,168	77,524	1,124,772
Total liabilities	<u>(419,211)</u>	<u>(90,419)</u>	<u>(13,058)</u>	<u>(522,688)</u>
Net assets	<u>458,869</u>	<u>78,749</u>	<u>64,466</u>	<u>602,084</u>
Group's share of associates' net assets	<u>104,668</u>	<u>15,750</u>	<u>11,500</u>	<u>131,918</u>
Total revenue	<u>249,446</u>	<u>47,498</u>	<u>7,972</u>	<u>304,916</u>
Profit for the year	<u>40,050</u>	<u>12,348</u>	<u>1,122</u>	<u>53,520</u>
Group's share of associates' profit for the year	<u>9,135</u>	<u>2,470</u>	<u>286</u>	<u>11,891</u>

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 10 PROPERTY AND EQUIPMENT

	<i>Building and land AED</i>	<i>Furniture and fixtures AED</i>	<i>Motor vehicles AED</i>	<i>Capital work in progress AED</i>	<i>Total AED</i>
<b>31 December 2016</b>					
Cost:					
1 January 2016	4,741	13,476	634	-	18,851
Additions	-	272	110	761	1,143
Acquisition of a subsidiary (note 28)	-	424	119	-	543
Disposals	-	-	(238)	-	(238)
At 31 December 2016	<u>4,741</u>	<u>14,172</u>	<u>625</u>	<u>761</u>	<u>20,299</u>
Accumulated depreciation:					
1 January 2016	1,580	9,367	599	-	11,546
Charge for the year	316	2,442	73	15	2,846
Disposals	-	-	(238)	-	(238)
At 31 December 2016	<u>1,896</u>	<u>11,809</u>	<u>434</u>	<u>15</u>	<u>14,154</u>
Net carrying amount:					
At 31 December 2016	<u>2,845</u>	<u>2,363</u>	<u>191</u>	<u>746</u>	<u>6,145</u>
<b>31 December 2015</b>					
Cost:					
1 January 2015	4,741	11,601	629	-	16,971
Additions	-	1,891	14	-	1,905
Disposals	-	(16)	(9)	-	(25)
At 31 December 2015	<u>4,741</u>	<u>13,476</u>	<u>634</u>	<u>-</u>	<u>18,851</u>
Accumulated depreciation:					
1 January 2015	1,264	8,111	591	-	9,966
Charge for the year	316	1,259	17	-	1,592
Disposals	-	(3)	(9)	-	(12)
At 31 December 2015	<u>1,580</u>	<u>9,367</u>	<u>599</u>	<u>-</u>	<u>11,546</u>
Net carrying amount:					
At 31 December 2015	<u>3,161</u>	<u>4,109</u>	<u>35</u>	<u>-</u>	<u>7,305</u>

### 11 SHARE CAPITAL

	<b>2016 AED 000</b>	<b>2015 AED 000</b>
<i>Authorised, issued and fully paid</i>		
207,000,000 (31 December 2015: 207,000,000)		
ordinary shares of AED 1 each	<u>207,000</u>	<u>207,000</u>

Out of the total paid up capital, an amount of AED 25 million has been allocated by the Group to life insurance based on Management's discretion. The remaining balance of AED 182 million is allocated to general insurance.

At the Annual General Meeting held on 20 April 2016, the Shareholders approved the distribution of cash dividends of AED 0.10 per share amounting to AED 20,700,000 (31 December 2015: AED 0.15 per share amounting to AED 31,050,000).

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 12 RESERVES

#### Legal reserve

As required by the U.A.E. Federal Law No. (2) of 2015, 10% of the profit for the year has been transferred to the legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the issued share capital. This reserve is not available for distribution.

At the Annual General Meeting held on 20 April 2016, the shareholders approved the transfer of AED 27,354 thousand to legal reserve in order to equal it to 50% of the issued share capital.

#### Statutory reserve

As required by the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the statutory reserve until the balance of the statutory reserve equals 25% of the Company paid up share capital. This reserve is not available for distribution. The Company has resolved to discontinue such annual transfers since the reserve totals 25% of the issued share capital.

#### General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors as per the authority granted to them in the Company's Articles of Association. This reserve may be used for such purposes as they deem fit.

#### Capital reserve

In accordance with the Board of Directors' resolution which was adopted by the Shareholders in their Annual General Meeting held on 19 May 1999, this reserve is earmarked for the settlement of any claims with respect to compensating the previous non-national shareholders of the Company. There was no payment made to these shareholders during the year (2015: nil).

### 13 PROPOSED CASH DIVIDENDS

In respect of the current year, the Board of Directors propose a cash dividend of AED 0.15 per share (2015: AED 0.075 per share) amounting to AED 31.05 million (2015: AED 15.5 million). The cash dividend are subject to the approval of the Shareholders at the Annual General Meeting.

### 14 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS

Gross outstanding claims, claims incurred but not reported (IBNR), unearned premiums, and related reinsurers' share is as follows:

	31 December 2016			31 December 2015		
	Non-life AED'000	Life AED'000	Total AED'000	Non-life AED'000	Life AED'000	Total AED'000
<b>Insurance contract liabilities</b>						
Outstanding claims (i) (note 16)	152,015	37,932	189,947	124,133	47,650	171,783
Claims incurred but not reported (note 16)	40,490	1,350	41,840	30,648	849	31,497
Unearned premium reserve (ii) (note 15)	97,143	203	97,346	93,281	316	93,597
	<u>289,648</u>	<u>39,485</u>	<u>329,133</u>	<u>248,062</u>	<u>48,815</u>	<u>296,877</u>
<b>Re-insurance contract assets</b>						
Outstanding claims (note 16)	111,635	33,663	145,298	82,461	40,350	122,811
Claims incurred but not reported (note 16)	20,361	1,148	21,509	7,902	805	8,707
Unearned premium reserve (note 15)	31,235	117	31,352	31,218	190	31,408
	<u>163,231</u>	<u>34,928</u>	<u>198,159</u>	<u>121,581</u>	<u>41,345</u>	<u>162,926</u>
<b>Insurance liabilities - net</b>						
Outstanding claims (i) (note 16)	40,380	4,269	44,649	41,672	7,300	48,972
Claims incurred but not reported (note 16)	20,129	202	20,331	22,746	44	22,790
Unearned premium reserve (ii) (note 15)	65,908	86	65,994	62,063	126	62,189
	<u>126,417</u>	<u>4,557</u>	<u>130,974</u>	<u>126,481</u>	<u>7,470</u>	<u>133,951</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

**14 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS** continued

- (i) Outstanding claims includes allocated and unallocated loss adjustment expenses reserve of AED 3,494 thousand (2015: AED 1,265 thousand) which includes reserve relating to general class of business of AED 3,092 thousand (2015: AED 1,219 thousand) and AED 402 thousand relating to life class of business (2015: AED 46 thousand).
- (ii) Unearned premium reserve includes gross unexpired risk reserve of AED 1,671 thousand (2015: nil) and AED 308 thousand net of reinsurance.

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

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

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

**15 UNEARNED PREMIUMS**

The movement in the unearned premiums, and the related reinsurers share, was as follows:

	2016			2015		
	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>
	<i>AED '000</i>	<i>share</i>	<i>AED '000</i>	<i>AED '000</i>	<i>share</i>	<i>AED '000</i>
		<i>AED '000</i>			<i>AED '000</i>	
<b>Unearned Premiums</b>						
At 1 January	93,597	(31,408)	62,189	105,972	(42,753)	63,219
Earned during the year	(291,032)	149,152	(141,880)	(355,764)	142,008	(213,756)
Written during the year	<u>294,781</u>	<u>(149,096)</u>	<u>145,685</u>	<u>343,389</u>	<u>(130,663)</u>	<u>212,726</u>
At 31 December	<u>97,346</u>	<u>(31,352)</u>	<u>65,994</u>	<u>93,597</u>	<u>(31,408)</u>	<u>62,189</u>

Movement in the unearned premiums of general class of business during the year was as follows:

	2016			2015		
	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>	<i>Gross</i>	<i>Reinsurers'</i>	<i>Net</i>
	<i>AED '000</i>	<i>share</i>	<i>AED '000</i>	<i>AED '000</i>	<i>share</i>	<i>AED '000</i>
		<i>AED '000</i>			<i>AED '000</i>	
<b>Unearned Premiums</b>						
At 1 January	93,281	(31,218)	62,063	96,423	(34,902)	61,521
Earned during the year	(289,871)	148,157	(141,714)	(329,671)	118,363	(211,308)
Written during the year	<u>293,733</u>	<u>(148,174)</u>	<u>145,559</u>	<u>326,529</u>	<u>(114,679)</u>	<u>211,850</u>
At 31 December	<u>97,143</u>	<u>(31,235)</u>	<u>65,908</u>	<u>93,281</u>	<u>(31,218)</u>	<u>62,063</u>



# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 15 UNEARNED PREMIUMS continued

Movement in the unearned premiums of life class of business during the year was as follows:

	2016			2015		
	Gross AED '000	Reinsurers' share AED '000	Net AED '000	Gross AED '000	Reinsurers' share AED '000	Net AED '000
<b>Unearned Premiums</b>						
At 1 January	316	(190)	126	9,549	(7,851)	1,698
Earned during the year	(1,161)	995	(166)	(26,093)	23,645	(2,448)
Written during the year	<u>1,048</u>	<u>(922)</u>	<u>126</u>	<u>16,860</u>	<u>(15,984)</u>	<u>876</u>
At 31 December	<u>203</u>	<u>(117)</u>	<u>86</u>	<u>316</u>	<u>(190)</u>	<u>126</u>

### 16 OUTSTANDING CLAIMS AND CLAIMS INCURRED BUT NOT REPORTED

The movement in the provision for outstanding claims, and the related reinsurers share, was as follows:

	31 December 2016			31 December 2015		
	Gross AED'000	Re-insurance AED'000	Net AED'000	Gross AED'000	Re-insurance AED'000	Net AED'000
<b>Claims</b>						
Outstanding claims	171,783	(122,811)	48,972	206,353	(142,226)	64,127
Claims incurred but not reported	<u>31,497</u>	<u>(8,707)</u>	<u>22,790</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total at 1 January	<u>203,280</u>	<u>(131,518)</u>	<u>71,762</u>	<u>211,353</u>	<u>(142,226)</u>	<u>69,127</u>
Claims paid during the year	(230,309)	89,799	(140,510)	(267,923)	97,680	(170,243)
Increase (decrease) in liabilities	<u>258,816</u>	<u>(125,088)</u>	<u>133,728</u>	<u>259,850</u>	<u>(86,972)</u>	<u>172,878</u>
Total at 31 December	<u>231,787</u>	<u>(166,807)</u>	<u>64,980</u>	<u>203,280</u>	<u>(131,518)</u>	<u>71,762</u>
Outstanding claims including ALAE and ULAE	189,947	(145,298)	44,649	171,783	(122,811)	48,972
Claims incurred but not reported	<u>41,840</u>	<u>(21,509)</u>	<u>20,331</u>	<u>31,497</u>	<u>(8,707)</u>	<u>22,790</u>
Total at 31 December	<u>231,787</u>	<u>(166,807)</u>	<u>64,980</u>	<u>203,280</u>	<u>(131,518)</u>	<u>71,762</u>

Movement in the claims of general class of business during the year was as follows:

	31 December 2016			31 December 2015		
	Gross AED'000	Re-insurance AED'000	Net AED'000	Gross AED'000	Re-insurance AED'000	Net AED'000
<b>Claims</b>						
Outstanding claims	124,133	(82,461)	41,672	140,064	(86,315)	53,749
Claims incurred but not reported	<u>30,648</u>	<u>(7,902)</u>	<u>22,746</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total at 1 January	<u>154,781</u>	<u>(90,363)</u>	<u>64,418</u>	<u>145,064</u>	<u>(86,315)</u>	<u>58,749</u>
Claims paid during the year	(223,373)	83,900	(139,473)	(214,074)	50,091	(163,983)
Increase (decrease) in liabilities	<u>261,097</u>	<u>(125,533)</u>	<u>135,564</u>	<u>223,791</u>	<u>(54,139)</u>	<u>169,652</u>
Total at 31 December	<u>192,505</u>	<u>(131,996)</u>	<u>60,509</u>	<u>154,781</u>	<u>(90,363)</u>	<u>64,418</u>
Outstanding claims including ALAE and ULAE	152,015	(111,635)	40,380	124,133	(82,461)	41,672
Claims incurred but not reported	<u>40,490</u>	<u>(20,361)</u>	<u>20,129</u>	<u>30,648</u>	<u>(7,902)</u>	<u>22,746</u>
Total at 31 December	<u>192,505</u>	<u>(131,996)</u>	<u>60,509</u>	<u>154,781</u>	<u>(90,363)</u>	<u>64,418</u>

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 16 OUTSTANDING CLAIMS AND CLAIMS INCURRED BUT NOT REPORTED continued

Movement in the claims of life class of business during the year was as follows:

	31 December 2016			31 December 2015		
	Gross AED'000	Re-insurance AED'000	Net AED'000	Gross AED'000	Re-insurance AED'000	Net AED'000
<b>Claims</b>						
Outstanding claims	47,650	(40,350)	7,300	66,289	(55,911)	10,378
Claims incurred but not reported	<u>849</u>	<u>(805)</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total at 1 January	<u>48,499</u>	<u>(41,155)</u>	<u>7,344</u>	<u>66,289</u>	<u>(55,911)</u>	<u>10,378</u>
Claims paid during the year	(6,936)	5,899	(1,037)	(53,849)	47,589	(6,260)
(Decrease) increase in liabilities	<u>(2,281)</u>	<u>445</u>	<u>(1,836)</u>	<u>36,059</u>	<u>(32,833)</u>	<u>3,226</u>
Total at 31 December	<u>39,282</u>	<u>(34,811)</u>	<u>4,471</u>	<u>48,499</u>	<u>(41,155)</u>	<u>7,344</u>
Outstanding claims including ALAE and ULAE	37,932	(33,663)	4,269	47,650	(40,350)	7,300
Claims incurred but not reported	<u>1,350</u>	<u>(1,148)</u>	<u>202</u>	<u>849</u>	<u>(805)</u>	<u>44</u>
Total at 31 December	<u>39,282</u>	<u>(34,811)</u>	<u>4,471</u>	<u>48,499</u>	<u>(41,155)</u>	<u>7,344</u>

### 17 TRADE AND OTHER PAYABLES

	31 December 2016			31 December 2015		
	General AED'000	Life AED'000	Total AED'000	General AED'000	Life AED'000	Total AED'000
Trade payables	20,745	5,090	25,835	16,782	909	17,691
Due to related parties (note 19)	3,877	-	3,877	23,338	-	23,338
Insurance and reinsurance balances payable	31,224	-	31,224	30,423	-	30,423
Accrued expenses	21,339	-	21,339	16,162	-	16,162
Dividends payable	6,604	-	6,604	6,644	-	6,644
Other payables	<u>14,176</u>	<u>-</u>	<u>14,176</u>	<u>13,561</u>	<u>-</u>	<u>13,561</u>
	<u>97,965</u>	<u>5,090</u>	<u>103,055</u>	<u>106,910</u>	<u>909</u>	<u>107,819</u>

Accounts payable are non-interest bearing and are normally settled on 60 to 90 days terms.

In accordance with the Board of Director's Decision Number (25) of 2014 pertinent to the Financial Regulations for Insurance Companies, the Group has categorised the trade payables and other payables as follows:

	2016 AED'000	2015 AED'000
Payables – Inside UAE	98,827	101,235
Payables – Outside UAE	<u>4,228</u>	<u>6,584</u>
Total	<u>103,055</u>	<u>107,819</u>

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 17 TRADE AND OTHER PAYABLES continued

	2016 AED'000	2015 AED'000
<b>Inside UAE:</b>		
Insurance and reinsurance companies payable	26,996	23,839
Policyholders payable	12,358	10,433
Third party administrator payable	7,841	24
Brokers payable	470	1,238
Other payables	<u>51,162</u>	<u>65,701</u>
Total	<u>98,827</u>	<u>101,235</u>
<b>Outside UAE:</b>		
Insurance and reinsurance companies payable	<u>4,228</u>	<u>6,584</u>

### 18 EMPLOYEES' END OF SERVICE BENEFITS

	2016			2015		
	General AED'000	Life AED'000	Total AED'000	General AED'000	Life AED'000	Total AED'000
Balance at 1 January	9,025	122	9,147	7,893	93	7,986
Acquired from subsidiary (note 28)	777	-	777	-	-	-
Charge for the year	1,083	42	1,125	2,050	41	2,091
Paid during the year	<u>(1,863)</u>	<u>(130)</u>	<u>(1,993)</u>	<u>(918)</u>	<u>(12)</u>	<u>(930)</u>
Balance at 31 December	<u>9,022</u>	<u>34</u>	<u>9,056</u>	<u>9,025</u>	<u>122</u>	<u>9,147</u>

### 19 RELATED PARTIES

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

#### Compensation of key management personnel

Compensation of key management personnel of the Group, consisting of salaries and benefits, was AED 12.2 million (2015: AED 8.3 million) made up as follows:

	2016 AED 000	2015 AED 000
Short term benefits	3,923	5,235
Directors bonus	5,750	-
Employees' end of service benefits	<u>2,507</u>	<u>3,069</u>
	<u>12,180</u>	<u>8,304</u>

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 19 RELATED PARTIES continued

#### Transactions with related parties

	2016 AED 000	2015 AED 000
<i>Gross premiums written:</i>		
Directors and related companies	<u>36,332</u>	<u>35,400</u>
<i>Claims paid:</i>		
Directors and related companies	<u>(7,649)</u>	<u>(3,715)</u>
Board remuneration	<u>(4,500)</u>	<u>(540)</u>
<b>Balances with related parties</b>		
<i>Due from related parties:</i>		
Directors and related companies	<u>11,024</u>	<u>14,409</u>
<i>Due to related parties:</i>		
Associate	-	(20,000)
Directors and related companies	<u>(3,877)</u>	<u>(3,338)</u>
	<u>(3,877)</u>	<u>(23,338)</u>

### 20 OTHER EXPENSES

	2016 AED 000	2015 AED 000
Staff costs	33,871	32,781
Fees and licenses	3,548	2,862
Rent	1,814	2,002
Depreciation of property and equipment (note 10)	2,846	1,592
Provision for impaired receivables, net of reversals (note 7)	8,184	(961)
Others	<u>11,524</u>	<u>7,736</u>
	<u>61,787</u>	<u>46,012</u>
<i>Allocated to:</i>		
Underwriting	43,986	41,086
Other expenses	<u>17,801</u>	<u>4,926</u>
	<u>61,787</u>	<u>46,012</u>

### 21 NET INVESTMENT INCOME

	2016 AED 000	2015 AED 000
Rental income, net (note 8)	10,581	12,008
Changes in fair value of investment properties (note 8)	281	11,738
Gain on disposal of investments at fair value through profit or loss	32,106	16,303
Changes in fair value of investments at fair value through profit or loss (note 5)	11,226	(57,746)
Dividend income	25,485	22,344
Interest income	1,123	657
Fair value gain on acquirer's previously held equity interest (note 9)	1,738	-
Other income	<u>982</u>	<u>1,107</u>
	<u>83,522</u>	<u>6,411</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 22 PROFIT FOR THE YEAR

Profit for the year was arrived at after charging:

	2016 AED 000	2015 AED 000
Staff costs	<u>33,871</u>	<u>32,781</u>
Depreciation of property and equipment	<u>2,846</u>	<u>1,592</u>

### 23 EARNINGS PER SHARE

Basic earnings per share amounts for the year are calculated by dividing profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

The following reflects the income and share data used in the earnings per share computations:

	2016	2015
Profit for the year (AED '000)	<u>54,397</u>	<u>18,156</u>
Weighted number of shares in issue throughout the year	<u>207,000,000</u>	<u>207,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.26</u>	<u>0.09</u>

As of 31 December 2016 and 2015, the Group has not issued any instruments that have a dilutive impact on earnings per share when exercised.

### 24 RISK MANAGEMENT

#### Governance framework

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

#### Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to manage the risks that affect its capital position.

The capital management objectives are:

- To maintain the required level of stability of the Group thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To hold sufficient capital to cover the statutory requirements;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The operations of the Group are also subject to regulatory requirements within the United Arab Emirates where it operates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 24 RISK MANAGEMENT continued

#### Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity funds provided by shareholders.

The Group has had no significant changes in its policies and processes relating to its capital structure during the past year from previous years.

No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. Capital comprises share capital, legal reserve, statutory reserve, general reserve, capital reserve, investment revaluation reserve and retained earnings, and is measured at AED 821 million as at 31 December 2016 (2015: AED 775 million).

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

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

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

	2016 AED'000	2015 AED'000
Total capital held by the Company	<u>207,000</u>	<u>207,000</u>
Minimum regulatory capital	<u>100,000</u>	<u>100,000</u>

### 25 INSURANCE AND FINANCIAL RISK

#### Regulatory framework

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

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

The chairman of the Insurance Authority vide Board of Directors' Decision No. (25) of 2014 dated 28th December 2014, issued Financial Regulation for Insurance Companies (FRIC) applicable to insurance companies incorporated in the UAE and the foreign insurance companies licensed to practice the activity in the UAE. The major highlights of the new regulation is summarized in the below table:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

**24 RISK MANAGEMENT** continued

**Regulatory framework** continued

**Regulation**

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

**Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority**

Pursuant to the requirement of financial regulations of Insurance Authority, United Arab Emirates, the Group has presented the consolidated statement of financial position and consolidated statement of comprehensive income of General Insurance (referred as "Property and Liability Insurance") and Life Insurance (referred as "Persons and Funds Accumulation Operation) as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

25 INSURANCE AND FINANCIAL RISK continued

Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority continued

Consolidated statement of financial position of property and liability insurance:

		31 December 2016 AED 000	31 December 2015 AED 000
	Notes		
<b>ASSETS</b>			
Cash and bank balances	3	78,760	59,487
Investments carried at fair value through other comprehensive income	4	243,686	190,544
Investments carried at fair value through profit or loss	5	333,041	295,105
Investments at amortised cost	6	5,000	5,000
Insurance receivables and prepayments	7	81,714	85,599
Reinsurance contracts assets	14	163,231	121,581
Investment properties	8	338,298	338,017
Investment in associates	9	132,198	131,918
Property and equipment	10	6,145	7,305
Intangible asset	28	2,311	-
<b>TOTAL ASSETS</b>		<b>1,384,384</b>	<b>1,234,556</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	182,000	182,000
Legal reserve	12	91,000	75,812
Statutory reserve	12	45,500	51,750
General reserve	12	23,323	23,323
Capital reserve	12	9,959	9,959
Investment revaluation reserve		19,267	2,236
Retained earnings		425,075	401,420
<b>Equity attributable to equity holders of the parent</b>		<b>796,124</b>	<b>746,500</b>
Non-controlling interests		119	-
<b>Total equity</b>		<b>796,243</b>	<b>746,500</b>
<b>LIABILITIES</b>			
Employees' end of service benefits	18	9,022	9,025
Insurance contract liabilities	14	289,648	248,062
Bank overdrafts	3	191,506	124,059
Trade and other payables	17	97,965	106,910
<b>Total liabilities</b>		<b>588,141</b>	<b>488,056</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,384,384</b>	<b>1,234,556</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

25 INSURANCE AND FINANCIAL RISK continued

Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority continued

Consolidated statement of income of property and liability insurance:

	2016 AED 000	2015 AED 000
Gross premiums written	293,733	326,529
Change in unearned premium provision	<u>(3,862)</u>	<u>3,142</u>
<b>Premium income earned</b>	<b>289,871</b>	<b>329,671</b>
Reinsurance premium ceded	(148,174)	(114,679)
Change in unearned premium provision	<u>17</u>	<u>(3,684)</u>
Reinsurance premium ceded	<b>(148,157)</b>	<b>(118,363)</b>
<b>Net premium earned</b>	<b>141,714</b>	<b>211,308</b>
Gross claims paid	(223,373)	(214,074)
Less: claims recovered from reinsurers	<u>83,900</u>	<u>50,091</u>
Net claims paid	(139,473)	(163,983)
Net movement in provision for outstanding claims	1,292	12,077
Net movement in claims incurred but not reported	<u>2,617</u>	<u>(17,746)</u>
<b>Net claims incurred</b>	<b>(135,564)</b>	<b>(169,652)</b>
Commission earned	34,382	25,624
Less: commission expense	<u>(24,422)</u>	<u>(23,724)</u>
<b>Net commission earned</b>	<b>9,960</b>	<b>1,900</b>
<b>Underwriting income</b>	<b>16,110</b>	<b>43,556</b>
General and administrative expenses relating to underwriting	<u>(39,932)</u>	<u>(38,138)</u>
<b>Net underwriting (loss) income</b>	<b>(23,822)</b>	<b>5,418</b>
Other expenses	(17,801)	(4,926)
Net investment income	83,522	6,411
Share of profit of associates	16,077	11,891
Net income arising from brokerage services	1,892	-
Finance costs	<u>(5,094)</u>	<u>(2,624)</u>
<b>PROFIT FOR THE YEAR</b>	<b>54,774</b>	<b>16,170</b>
Share of other comprehensive loss of associates	(6,028)	(20,884)
Gain on sale of investments carried at fair value through other comprehensive income	-	1,587
Changes in fair value relating to investments carried at fair value through other comprehensive income, net	23,059	(65,050)
Board of directors' remuneration	<u>(4,500)</u>	<u>(540)</u>
<b>Other comprehensive income (loss) for the year</b>	<b>12,531</b>	<b>(84,887)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>67,305</b>	<b>(68,717)</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

**25 INSURANCE AND FINANCIAL RISK** continued

Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority continued

Consolidated statement of financial position of persons and funds accumulation operations:

		<b>31 December 2016</b>	<b>31 December 2015</b>
	<i>Notes</i>	<b>AED 000</b>	<b>AED 000</b>
<b>ASSETS</b>			
Cash and bank balances	3	<b>26,722</b>	26,055
Insurance receivables and prepayments	7	<b>7,897</b>	10,780
Reinsurance contracts assets	14	<b>34,928</b>	41,345
<b>TOTAL ASSETS</b>		<b><u>69,547</u></b>	<b><u>78,180</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	<b>25,000</b>	25,000
Legal reserve	12	<b>12,500</b>	334
Statutory reserve	12	<b>6,250</b>	-
(Accumulated losses) retained earnings		<b><u>(18,812)</u></b>	<b><u>3,000</u></b>
<b>Total equity</b>		<b><u>24,938</u></b>	<b><u>28,334</u></b>
<b>LIABILITIES</b>			
Employees' end of service benefits	18	<b>34</b>	122
Insurance contract liabilities	14	<b>39,485</b>	48,815
Trade and other payables	17	<b><u>5,090</u></b>	<b><u>909</u></b>
<b>Total liabilities</b>		<b><u>44,609</u></b>	<b><u>49,846</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>69,547</u></b>	<b><u>78,180</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

**25 INSURANCE AND FINANCIAL RISK** continued

Disclosure as per the circular no.33 of 2016 of UAE Insurance Authority continued

Consolidated statement of income of persons and funds accumulation operations:

	<i>2016</i> <i>AED 000</i>	<i>2015</i> <i>AED 000</i>
Gross premiums written	<b>1,048</b>	16,860
Change in unearned premium provision	<u><b>113</b></u>	<u>9,233</u>
<b>Premium income earned</b>	<u><b>1,161</b></u>	<u>26,093</u>
Reinsurance premium ceded	<b>(922)</b>	(15,984)
Change in unearned premium provision	<u><b>(73)</b></u>	<u>(7,661)</u>
Reinsurance premium ceded	<u><b>(995)</b></u>	<u>(23,645)</u>
<b>Net premium earned</b>	<u><b>166</b></u>	<u>2,448</u>
Gross claims paid	<b>(6,936)</b>	(53,849)
Less: claims recovered from reinsurers	<u><b>5,899</b></u>	<u>47,589</u>
Net claims paid	<b>(1,037)</b>	(6,260)
Net movement in provision for outstanding claims	<b>3,030</b>	3,078
Net movement in claims incurred but not reported	<u><b>(158)</b></u>	<u>(44)</u>
<b>Net claims recovered / (incurred)</b>	<u><b>1,836</b></u>	<u>(3,226)</u>
Commission earned	<b>1,745</b>	6,715
Less: commission expense	<u><b>(90)</b></u>	<u>(1,003)</u>
<b>Net commission earned</b>	<u><b>1,655</b></u>	<u>5,712</u>
<b>Underwriting income</b>	<b>3,657</b>	4,934
General and administrative expenses relating to underwriting	<u><b>(4,054)</b></u>	<u>(2,948)</u>
<b>(LOSS) PROFIT AND TOTAL COMPREHENSIVE</b>		
<b>(LOSS) INCOME FOR THE YEAR</b>	<u><b>(397)</b></u>	<u>1,986</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

**25 INSURANCE AND FINANCIAL RISK** continued

**Insurance risk**

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

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

Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. The reinsurance strategy of the Group is designed to protect exposures to individual risks and events based in current risk exposures through cost effective insurance agreements.

***Frequency and amounts of claims***

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly fire and general accident (including medical) and marine and aviation risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

***Fire and general accident***

***Property***

For property insurance contracts the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Group has obtained necessary reinsurance covers to limit losses from individual claims.

***Motor***

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of, and repairs to motor vehicles are the key factors that influence the level of claims. The Group has excess of loss protection to limit losses from individual claims.

***Medical***

For medical insurance, the main risks are claims for in-patient which includes the non-excluded cases of medical conditions or bodily injuries requiring hospitalization and claims for out-patient which includes physician consultation, diagnostic procedures, pharmaceuticals, therapies and minor day care surgery.

The Group has excess of loss protection and necessary reinsurance covers to limit losses from individual claims.

***Marine and aviation***

For marine and aviation insurance, the main risks are loss or damage to marine hull, aviation craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine and aviation class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Group has obtained necessary reinsurance covers to limit losses from individual claims.

***Concentration of insurance risk***

The Group does not have any single insurance contract or small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risks that many involve significant litigation. The segmental concentration of insurance risk is set out in note 27.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

25 INSURANCE AND FINANCIAL RISK continued

Insurance risk continued

*Managing reinsurance risk*

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

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

*Claims development process*

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

**Non-Motor- Gross:**

<i>Accident year</i>	<i>2012 and earlier AED '000</i>	<i>2013 AED '000</i>	<i>2014 AED '000</i>	<i>2015 AED '000</i>	<i>2016 AED '000</i>	<i>Total AED '000</i>
At the end of the accident year	240,117	102,957	118,250	104,676	134,057	700,057
One year later	269,185	114,863	132,037	164,830		680,915
Two year later	270,644	115,626	138,642			524,912
Three year later	276,712	116,342				393,054
Four year later	271,279					271,279
Current estimate of cumulative claims	271,279	116,342	138,642	164,830	134,057	825,150
Cumulative payments to date	(247,611)	(85,771)	(107,934)	(143,670)	(64,151)	(649,137)
Liability recognised in the statement of financial position	<u>23,668</u>	<u>30,571</u>	<u>30,708</u>	<u>21,160</u>	<u>69,906</u>	<u>176,013</u>

**Motor- Gross:**

<i>Accident year</i>	<i>2012 and earlier AED '000</i>	<i>2013 AED '000</i>	<i>2014 AED '000</i>	<i>2015 AED '000</i>	<i>2016 AED '000</i>	<i>Total AED '000</i>
At the end of the accident year	288,057	80,632	82,504	78,902	109,284	639,379
One year later	338,041	95,522	92,659	88,335		614,557
Two year later	343,352	96,306	91,285			530,943
Three year later	344,373	92,429				436,802
Four year later	340,675					340,675
Current estimate of cumulative claims	340,675	92,429	91,285	88,335	109,284	722,008
Cumulative payments to date	(322,315)	(92,740)	(85,602)	(84,192)	(81,385)	(666,234)
Liability recognised in the statement of financial position	<u>18,360</u>	<u>(311)</u>	<u>5,683</u>	<u>4,143</u>	<u>27,899</u>	<u>55,774</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 25 INSURANCE AND FINANCIAL RISK continued

#### Financial risk

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk. Senior management reviews and agrees policies for managing each of these risks.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

The Group's five largest customers account for 20% of outstanding accounts receivable at 31 December 2016 (2015: 24%).

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages credit risk on its cash deposits and investments by ensuring that counter parties have a good credit rating. The Group does not have an internal credit rating of counter parties and consider all counter parties with which the Group deals to be of the same high credit quality.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

#### Equity price risk

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

Equity price risk is the risk that the fair values of equities change as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

#### Equity price risk continued

The following table estimates the sensitivity to a possible change in equity markets on the Group's total comprehensive income for the year, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Change in variables	31 December 2016 Impact on comprehensive income AED '000	31 December 2015 Impact on comprehensive income AED '000
Market index			
Abu Dhabi Securities Exchange	5%	18,690	17,840
Dubai Financial Market	5%	8,813	5,128
Other Markets	5%	37	25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

**25 INSURANCE AND FINANCIAL RISK** continued

**Financial risk** continued

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is not excessively exposed to interest rate risk as its interest sensitive assets are repriced frequently.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit based on interest bearing financial assets held at 31 December.

	<i>Effect on profit</i> <i>AED '000</i>
<b>2016</b>	
100 decrease in basis points	1,470
100 increase in basis points	(1,470)
<b>2015</b>	
100 decrease in basis points	864
100 increase in basis points	(864)

**Currency risk**

Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant loss due to exchange rate fluctuations and consequently the Group does not hedge its foreign currency exposure.

The Group's major transactions in foreign currencies are in US Dollars. As the exchange rates of the UAE Dirham is pegged to the US Dollar, the Group is not subject to significant currency risk.

**Liquidity risk**

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

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

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2016 and 31 December 2015, based on contractual payment dates and current market interest rates.

	<i>Current</i> <i>Up to 1</i> <i>year</i> <i>AED '000</i>	<i>Non-current</i> <i>&gt;1</i> <i>year</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<b>31 December 2016</b>			
Trade and other payables	81,716	-	81,716
Insurance contract liabilities	<u>329,133</u>	<u>-</u>	<u>329,133</u>
<b>Total</b>	<u><b>410,849</b></u>	<u><b>-</b></u>	<u><b>410,849</b></u>
<b>31 December 2015</b>			
Trade and other payables	91,117	-	91,117
Insurance contract liabilities	<u>296,877</u>	<u>-</u>	<u>296,877</u>
<b>Total</b>	<u><b>387,994</b></u>	<u><b>-</b></u>	<u><b>387,994</b></u>

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

### 25 INSURANCE AND FINANCIAL RISK continued

#### Financial risk continued

#### Liquidity risk continued

The expected maturity profile of the assets at 31 December 2016 and 2015 is as follows:

	<i>Current AED '000</i>	<i>Non-current AED '000</i>	<i>Total AED '000</i>
<b>31 December 2016</b>			
Cash and bank balances	99,482	6,000	105,482
Investments carried at fair value through other comprehensive income	-	243,686	243,686
Investments carried at fair value through profit or loss	333,041	-	333,041
Investments at amortised cost	-	5,000	5,000
Insurance receivables and prepayments	89,611	-	89,611
Reinsurance contracts assets	198,159	-	198,159
Investment properties	-	338,298	338,298
Investment in associates	-	132,198	132,198
Property and equipment	672	5,473	6,145
Intangible assets	289	2,022	2,311
	<b>721,254</b>	<b>732,677</b>	<b>1,453,931</b>
<b>31 December 2015</b>			
Cash and bank balances	79,542	6,000	85,542
Investments carried at fair value through other comprehensive income	-	190,544	190,544
Investments carried at fair value through profit or loss	295,105	-	295,105
Investments at amortised cost	-	5,000	5,000
Insurance receivables and prepayments	96,379	-	96,379
Reinsurance contracts assets	162,926	-	162,926
Investment properties	-	338,017	338,017
Investment in associates	-	131,918	131,918
Property and equipment	-	7,305	7,305
	<b>633,952</b>	<b>678,784</b>	<b>1,312,736</b>

Except for end of service benefits of AED 9,056 thousand (2015: AED 9,147 thousand), the Group expects its liabilities of AED 623,694 thousand (2015: AED 528,755 thousand) to mature in less than twelve months from the date of the consolidated statement of financial position.

#### Operational risks

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 Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes.

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 26 FAIR VALUES

#### Fair value of financial instruments and non-financial assets

Financial instruments comprise of financial assets and financial liabilities.

The fair values of the financial assets and liabilities of the Group are not materially different from their carrying values at the reporting date.

The following table shows the analysis of financial instruments and non-financial assets recorded at fair value by level of the fair value hierarchy:

	<i>Level 1</i> <i>AED '000</i>	<i>Level 2</i> <i>AED '000</i>	<i>Level 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<b>At 31 December 2016</b>				
Investments carried at fair value through profit or loss	333,041	-	-	333,041
Investments carried through other comprehensive income	217,751	-	25,935	243,686
Investment properties	-	-	338,298	338,298
	<u>550,792</u>	<u>-</u>	<u>364,233</u>	<u>915,025</u>
<b>At 31 December 2015</b>				
Investments carried at fair value through profit or loss	295,105	-	-	295,105
Investments carried through other comprehensive income	164,759	-	25,785	190,544
Investment properties	-	-	338,017	338,017
	<u>459,864</u>	<u>-</u>	<u>363,802</u>	<u>823,666</u>

During the reporting periods ended 31 December 2016 and 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

	<i>2016</i> <i>AED 000</i>	<i>2015</i> <i>AED 000</i>
Balance as at 1 January	363,802	341,816
Gains from change of fair value of investments	<u>431</u>	<u>21,986</u>
Balance at 31 December	<u>364,233</u>	<u>363,802</u>

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values of non-financial assets:

The fair value of land and buildings was determined based on the market comparable approach that reflects recent transaction prices for similar properties or quotes/bid prices for same or similar assets. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 27 SEGMENT REPORTING

For management purposes the Group is organised into departments based on the classes of insured risks. The reportable operating segments of the Group are fire and general accident, medical, marine, aviation and investments.

Management monitors the underwriting results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on underwriting profit. The following table presents disclosure of segment revenues, measurement of segment profit for the year and their reconciliation to the Group's income and profit for the year.

#### 27.1 Segment revenue and results

	2016					2015				
	Marine and aviation AED'000	Fire and general accident AED'000	Medical AED'000	Investments AED'000	Total AED'000	Marine and aviation AED'000	Fire and general accident AED'000	Medical AED'000	Investments AED'000	Total AED'000
Gross premiums written	13,322	215,795	65,664	-	294,781	24,262	201,387	117,740	-	343,389
Reinsurance premium ceded	(11,695)	(93,691)	(43,710)	-	(149,096)	(22,132)	(101,341)	(7,190)	-	(130,663)
Movement in provision for unearned premiums	8	(11,729)	7,916	-	(3,805)	(217)	243	1,004	-	1,030
Net claims incurred	(812)	(76,202)	(56,714)	-	(133,728)	(173)	(70,666)	(102,039)	-	(172,878)
Net commission earned	2,627	9,580	(592)	-	11,615	3,800	14,232	(10,420)	-	7,612
Net income arising from brokerage services	-	-	-	1,892	1,892	-	-	-	-	-
Rental income	-	-	-	10,581	10,581	-	-	-	12,008	12,008
Share of profit of associates	-	-	-	16,077	16,077	-	-	-	-	-
Net investment income, net of finance costs	-	-	-	67,847	67,847	-	-	-	3,670	3,670
Segment profit before allocated expenses	3,450	43,753	(27,436)	96,397	116,164	5,540	43,855	(905)	15,678	64,168
Allocated expenses	(2,239)	(34,721)	(7,026)	-	(43,986)	(2,044)	(30,429)	(8,613)	-	(41,086)
Segment profit	1,211	9,032	(34,462)	96,397	72,178	3,496	13,426	(9,518)	15,678	23,082
Unallocated expenses	-	-	-	-	(17,801)	-	-	-	-	(4,926)
Profit for the year	-	-	-	-	54,377	-	-	-	-	18,156



# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 27 SEGMENT REPORTING continued

#### 27.2 Segment assets and liabilities

	31 December 2016			31 December 2015		
	Underwriting AED '000	Investments AED '000	Total AED '000	Underwriting AED '000	Investments AED '000	Total AED '000
Segment assets	315,178	1,132,314	1,447,492	264,375	1,034,625	1,299,000
Unallocated assets			<u>6,439</u>			<u>13,736</u>
Total assets			<u>1,453,931</u>			<u>1,312,736</u>
Segment liabilities	390,991	214,616	605,607	370,391	143,651	514,042
Unallocated liabilities			<u>27,143</u>			<u>23,860</u>
Total liabilities			<u>632,750</u>			<u>537,902</u>
Capital expenditure	<u>1,143</u>	<u>-</u>	<u>1,143</u>	<u>1,905</u>	<u>-</u>	<u>1,905</u>

#### 27.3 Segment revenue from underwriting departments

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

	2016 AED 000	2015 AED 000
Motor	158,161	132,327
Engineering	21,204	21,525
Fire and general accidents	59,185	50,005
Marine and aviation	16,238	28,591
Life, medical and personal assurance	<u>76,120</u>	<u>143,280</u>
	<u>330,908</u>	<u>375,728</u>

#### 27.4 Geographical segment

The Group's underwriting business is based entirely within UAE, except for treaty re-insurance arrangements which are held with companies based primarily in Europe. All the investments of the Group are held in the UAE except for certain investments in securities which are held in other countries and investment properties which are held in the United States of America (USA).

Total revenues and total assets by geographical location are detailed below:

	Revenue		Total assets	
	2016 AED 000	2015 AED 000	2016 AED 000	2015 AED 000
UAE	313,964	359,131	1,276,106	1,175,443
Europe	16,944	16,597	76,766	42,036
USA	-	-	56,243	55,417
Other countries	<u>-</u>	<u>-</u>	<u>44,816</u>	<u>39,840</u>
	<u>330,908</u>	<u>375,728</u>	<u>1,453,931</u>	<u>1,312,736</u>

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

### 28 BUSINESS COMBINATION

At the Annual General Meeting held on 20 April 2016, the shareholders approved the Company's acquisition of an additional 89% interest in the voting shares of Vision Capital Brokerage Company LLC (VCB), increasing its ownership interest to 99%. Consideration of AED 56.4 million was paid for the acquisition. VCB has been included in the consolidated financial statements as a subsidiary. The principal activities of the Vision Capital Brokerage Company LLC are the provision of share brokerage services in the United Arab Emirates. The Company acquired this business to diversify its income resources.

The fair value of the identifiable assets and liabilities Vision Capital Brokerage Company LLC as at the date of acquisition were:

	<i><b>Fair value recognised on acquisition AED 000</b></i>
Furniture, equipment and vehicles (note 10)	543
Intangible assets – customer relations	2,581
Accounts receivable and prepayments	58,620
Bank and cash balances	<u>6,539</u>
<b>Total assets</b>	<b><u>68,283</u></b>
Employees' end of service benefits (note 18)	777
Accounts payable and accruals	<u>4,129</u>
<b>Total liabilities</b>	<b><u>4,906</u></b>
<b>Total identifiable net assets at fair value</b>	<b>63,377</b>
Non-controlling interest measured at fair value	(639)
Fair value of acquirer's previously held equity interest (note 9)	<u>(6,338)</u>
<b>Purchase consideration</b>	<b><u>56,400</u></b>
Intangible assets comprise the value of customer relations, which represents the value attributable to the business expected to be generated from customers that existed at the acquisition date.	
	<b><i>AED 000</i></b>
Intangible asset recognised on acquisition of business	2,581
Amortisation during the period	<u>(270)</u>
At 31 December 2016	<b><u>2,311</u></b>

Amortisation is recognised on a straight-line basis over their estimated useful life of eight years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Subsequent to the year end, the Company's Board of Directors have resolved to liquidate VCB. The Group expects to realise an amount equivalent to the net assets of VCB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

**28 BUSINESS COMBINATION** continued

The analysis of purchase consideration payment is as follows:

	<i>AED 000</i>
Purchase consideration	56,400
Advance payment made during the prior year	(26,188)
Adjustment against receivable from an outgoing shareholder	(15,000)
<b>Payment made during the period</b>	<b><u>15,212</u></b>

Subsequent to the acquisition, the share capital of VCB was reduced from AED 60,000 thousand to AED 10,000 thousand, with the non-controlling interest of the reduction amounting to AED 500 thousand.

**29 COMMITMENTS AND CONTINGENT LIABILITIES**

*Contingent liabilities*

At 31 December 2016, the Group had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 7.5 million (2015: AED 7.7 million).

*Legal claims*

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of the business. The management, based on advice from independent loss adjusters and internal legal counsel, has made a provision of AED 13.6 million (2015: AED 15.1 million) representing amounts expected to result in a probable outflow of economic resources.