AXA Green Crescent Insurance PJSC

Directors' report and financial statements for the year ended 31 December 2017

AXA Green Crescent Insurance PJSC

Directors' report and financial statements for the year ended 31 December 2017

AXA Green Crescent Insurance PJSC

Directors' report
For the year ended 31 December 2017

The Board of Directors is pleased to submit the annual report of the Company's activities accompanied by the financial statements for the year ended 31 December 2017.

The Company registered a net loss of AED 18.9 million at the end of the year end, compared to a net loss of AED 13.9 million for the corresponding period of last year.

Total gross written premium amounted to AED 40 million for the year ended 31 December 2017 compared to AED 46 million for the same period last year, representing a 13% decrease. From the total gross written premium, life insurance premiums now represent 87% of the total, as compared to 65% last year, reflecting the Company strategy to expand towards life insurance business.

During the year, the Company has significantly increased in volumes of life insurance, where the gross written premiums have moved up to AED 34.74 million as at the end of the year as compared to AED 29.8 million in the same period last year, representing an increase of 17%. The Company continued to write Credit Life business through inward reinsurance agreements amounting to AED 14.3 million at the end of the year as compared to AED 11.9 million in the same period last year, representing an increase of 20%. Medical premiums continued to decrease due to the competitive environment and prudent underwriting policy, which as at the end of the year amounted to AED 5.24 million as compared to AED 16.2 million in the corresponding period of last year.

For the period ended 31 December 2017, the Company achieved a net underwriting profit of AED 12.5 million, as compared to a total net underwriting profit of AED 3.6 million in the same period last year, an increase of 247%. This is mainly due to higher contribution of life insurance as well as prudent underwriting measures taken by the company during the year. The net underwriting profit for life insurance increased from AED1.3m to AED9.1m, mainly attributable to higher technical margin.

The Company has taken efficiency measures whilst maintaining its capabilities to support the focus on the life insurance market. The total annual operating costs decreased by 9% with controlled expenditures on administration and related costs.

The Company has also experienced significantly higher underlying income from its investment operations which amounted to AED 4.4 million at the end of 31 December 2017 compared with AED 3.01 million in the same period last year, representing an increase of 46% and resulting from higher exposure in government and corporate bonds.
During the year, the Company suspended its entry into the Individual Protection and Savings market and consequently terminated the corresponding Development and Implementation Project. Therefore, the company fully impaired the carrying value of the development cost of AED 9.96m.

2018 Outlook

After two difficult years including a tough 2017 where regional GDP growth is expected to come in at just 0.3%, the Gulf Cooperation Council (GCC) economies are set to enjoy their fastest expansion in three years in 2018. The forecast is 2.7% growth for the region next year with all six GCC economies set to enjoy a relatively robust performance.

AXA Green Crescent Insurance PJSC

Directors' report
For the year ended 31 December 2017

In light of UAE macro-economic context and particularly its impact on the insurance market dynamics, The Company will adapt the scope and timing of its strategic focus on life insurance. Furthermore, The Company's underwriting approach on Health will remain extremely prudent reflecting the continued challenging market conditions in this competitive segment.

Hassen Bennour
CEO and Member of the Board of Directors

18 March 2018

pwc

Independent auditor's report to the shareholders of AXA Green Crescent Insurance PJSC

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AXA Green Crescent Insurance PJSC ("the Company") as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirments and the IESBA Code.

PricewaterhouseCoopers, (Abu Dhabi Branch), License no. 1001301
Al Khatem Tower, Abu Dhabi Global Market, 25th Floor, PO Box 45263, Abu Dhabi - United Arab Emirates
T: +971 (0)2 694 6800, F: +971 (0)2 645 6610, www.pwc.com/me

Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Independent auditor's report to the shareholders of AXA Green Crescent Insurance PJSC (continued)

Our audit approach

Overview

Key audit matter	Valuation of insurance contract liabilities

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matter

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

Key audit matter	How our audit addressed the key audit matter
***Valuation of insurance contract liabilities** (Refer to note 2.10 and note 12 to the financial statements)*	
At 31 December 2017, liabilities arising from insurance contracts amounting to AED 32.17 million include: - Mathematical reserve for contractual life benefits of AED 12.03 million as at 31 December 2017 that are expected to be incurred in the future. The valuation of mathematical reserve includes assumptions relating to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. - Incurred but not yet reported (IBNR) reserve of AED 4.87 million as at 31 December 2017 which represent the claims that have been incurred at the year-end date but not yet reported to the Company. The reserve at year-end is estimated by the Company based on claims experience, business volume and historical patterns which are indicative for future loss developments patterns. - Premium deficiency reserve ('PDR") of AED 3.48 million as at 31 December 2017 which is the probable loss on premiums in force yet to be earned at the statement of financial position date. The PDR reserve is estimated based on the expected value of claims and administrative expenses attributable to the unexpired period of the policies in force as at year-end. We considered valuation of insurance contracts liabilities a key audit matter as the determination of above liabilities involves complex and subjective judgements for which small changes in assumptions can result in a material impact on the recorded liabilities.	▪ We evaluated the competence, objectivity and independence of the Company's appointed actuary. ▪ We tested the completeness and accuracy of the underlying data used in the actuarial calculations. ▪ Using our actuarial specialists, we applied our industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices; in particular we: • considered the suitability of the methodology used in setting insurance reserves against industry benchmarks; • challenged management's key assumptions and judgements by comparing them to external data and Company experience; • assessed whether the reserving methodology had been applied consistently across periods. ▪ We checked the reasonableness of the management's allocation of indirect expenses between life and medical lines of business applied in the calculation of combined loss ratio for the purpose of calculating the PDR.

pwc

Independent auditor's report to the shareholders of AXA Green Crescent Insurance PJSC (continued)

Other information

The directors are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to date of this auditor's report, 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.

When we read the complete annual report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the management and those charged with governance for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No (2) of 2015 and UAE Federal Law No (6) of 2007 and the related Financial Regulations for insurance companies issued by the Insurance Authority, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

pwc

Independent auditor's report to the shareholders of AXA Green Crescent Insurance PJSC (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

pwc

Independent auditor's report to the shareholders of AXA Green Crescent Insurance PJSC (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

Report on other legal and regulatory requirements

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

(i) we have obtained all the information we considered necessary for the purpose of our audit;
(ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
(iii) the Company has maintained proper books of account;
(iv) the financial information included in the report of the directors is consistent with the books of account of the Company;
(v) note 6 and 7 to the financial statements disclose the Company's investments during the year;
(vi) note 26 to the financial statements discloses material related party transactions, and the terms under which they were conducted;
(vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association which would materially affect its activities or its financial position as at 31 December 2017; and
(viii) as disclosed in note 1 to the financial statements, the Company did not make any social contributions during the year ended 31 December 2017.

Further, as required by the UAE Federal Law No. (6) of 2007 and the related Financial Regulations for Insurance Companies issued by the Insurance Authority, other than the solvency calculation, we have obtained all the required information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers
..18 March 2018..

Jacques E. Fakhoury
Registered Auditor Number 379
Abu Dhabi, United Arab Emirates

AXA Green Crescent Insurance PJSC

Statement of financial position

	Note	At 31 December 2017 AED'000	2016 AED'000
ASSETS			
Property and equipment	4	825	1,787
Intangible assets	5	739	14,488
Financial assets at fair value through OCI	6	67,888	58,417
Financial assets at fair value through profit or loss	7	9,640	9,936
Reinsurer share of unearned premium	12	865	6,296
Reinsurer share of outstanding claims	12	871	4,332
Reinsurer share of claims incurred but not reported	12	947	1,853
Deferred acquisition costs	21	512	1,012
Premiums and insurance balances receivable	8	19,210	16,293
Other receivables and prepayments	9	2,694	2,300
Statutory deposits	10	4,000	4,000
Time deposits	11	68,346	89,542
Demand deposits and cash	11	5,089	10,856
Total assets		181,626	221,112
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	200,000	200,000
Legal reserve	16	4	4
Other reserve	16	1,372	1,372
Accumulated losses		(76,764)	(57,860)
Fair value reserve		(741)	88
Net equity		123,871	143,604
LIABILITIES			
Technical provisions			
Unearned premiums reserve	12	7,054	11,414
Gross claims outstanding	12	4,487	8,712
Claims incurred but not reported	12	4,871	5,810
Unexpired risk reserve	12	3,478	3,325
Mathematical reserve	12	12,033	7,070
Unallocated loss adjustment expense reserve	12	243	669
Total technical provisions	12	32,166	37,000
Provision for employees' end of service benefits	13	735	388
Unearned reinsurance commission	18	63	37
Due to a related party	26	3,928	15,148
Insurance, accounts payable and accruals	14	20,863	24,935
Total liabilities		57,755	77,508
Total equity and liabilities		181,626	221,112

The financial statements were approved by the Board of Directors and authorised for issue on .18. March 2018 and signed on its behalf by:

Chairman of the Board

Member of the Board of Directors

The notes on pages 15 to 62 form an integral part of these financial statements.

AXA Green Crescent Insurance PJSC

Statement of income

	Note	Year ended 31 December 2017 AED'000	2016 AED'000
Gross premium written	17	39,976	45,909
Reinsurance share of gross premiums	17	(7,276)	(18,397)
Net premiums written	17	32,700	27,512
Net transfer to unearned premium reserve	17	(1,071)	4,439
Transfer to unexpired risk reserve	17	(153)	(1,459)
Net premiums earned	17	31,476	30,492
Reinsurance commission earned	18	569	645
Expenses for acquisition of insurance contracts	21	(3,841)	(3,112)
Net commission incurred		(3,272)	(2,467)
Gross claims paid	20	(18,900)	(27,985)
Reinsurer share of gross claims paid	20	7,310	13,049
Net claims paid		(11,590)	(14,936)
Change in provision for outstanding claims	20	4,225	(1,837)
Change in reinsurer share of outstanding claims	20	(3,461)	789
Change in incurred but not reported claims reserve	20	939	1,911
Change in reinsurer share of incurred but not reported claims reserve	20	(906)	(2,061)
Change in unallocated loss adjustment expense reserve	20	426	(61)
Change in mathematical reserve	20	(4,963)	(7,070)
Net claims incurred	20	(15,330)	(23,265)
Claims administration fees	22	(369)	(1,147)
Total claims and insurance related expenses		(15,699)	(24,412)
Net underwriting income		12,505	3,613
Investment income	19	4,457	3,095
Impairment of financial assets at fair value through OCI	6	(734)	-
Net fair value (loss)/gain on financial assets	7	(296)	602
Other income		199	-
		16,131	7,310
General and administrative expenses	23	(19,683)	(21,220)
Termination costs	27	(2,943)	-
Development cost incurred	27	(2,449)	-
Impairment of development costs	27	(9,960)	-
Loss for the year		(18,904)	(13,910)
Loss per share for the year			
- basic and diluted (AED)	25	(0.09)	(0.07)

The notes on pages 15 to 62 form an integral part of these financial statements.

AXA Green Crescent Insurance PJSC

Statement of comprehensive income

	Note	*Year ended 31 December* 2017 AED'000	2016 AED'000
Loss for the year		(18,904)	(13,910)
Other comprehensive income			
Items that will not be reclassified subsequently to statement of income:			
Net (loss)/gain on equity instruments carried at fair value through other comprehensive income		(333)	47
Items that will be reclassified subsequently to statement of income:			
Net (loss)/gain on debt instruments carried at fair value through other comprehensive income		(496)	755
Other comprehensive income for the year	6	(829)	802
Total comprehensive loss for the year		(19,733)	(13,108)

The notes on pages 15 to 62 form an integral part of these financial statements.

Statement of changes in equity

	Share capital AED'000	*Legal reserve AED'000*	*Other reserve AED'000*	*Accumulated losses AED'000*	*Fair value reserve AED'000*	*Total AED'000*
At 1 January 2016	200,000	4	1,372	(43,950)	(714)	156,712
Total comprehensive income:						
Loss for the year	-	-	-	(13,910)	-	(13,910)
Other comprehensive income for the year	-	-	-	-	802	802
Total comprehensive loss for the year	-	-	-	*(13,910)*	*802*	*(13,108)*
At 31 December 2016	200,000	4	1,372	(57,860)	88	143,604
At 1 January 2017	200,000	4	1,372	(57,860)	88	143,604
Total comprehensive income:						
Loss for the year	-	-	-	(18,904)	-	(18,904)
Other comprehensive loss for the year	-	-	-	-	(829)	(829)
Total comprehensive loss for the year	-	-	-	*(18,904)*	*(829)*	*(19,733)*
At 31 December 2017	200,000	4	1,372	(76,764)	(741)	123,871

The notes on pages 15 to 62 form an integral part of these financial statements.

AXA Green Crescent Insurance PJSC

Statement of cash flows

	Note	Year ended 31 December 2017 AED'000	2016 AED'000
Cash flows from operating activities			
Loss for the year		(18,904)	(13,910)
Adjustments for:			
Depreciation	4	962	903
Amortisation	5	393	235
Impairment of development costs	5	9,960	-
Development cost incurred	27	2,449	-
Bonds premium amortisation	6	526	548
Fair value loss / (gain) on financial assets at fair value through profit or loss	7	296	(602)
Loss on sale of financial assets carried at fair value through OCI	19	-	13
Impairment loss on financial assets carried at fair value through OCI	6	734	-
Reversal of provision for impairment of insurance receivables	8	(437)	(178)
Provision for employees' end of service benefits	13	151	230
Interest income	19	(4,696)	(3,439)
Dividend income	19	(287)	(217)
Operating cash flows before payment of employees service benefits and changes in working capital		(8,853)	(16,417)
Employees' end of service benefits paid	13	(183)	(460)
Changes in working capital:			
Deferred acquisition costs		500	469
Premium and insurance balances receivable		(2,480)	(10,355)
Other receivable and prepayments		(153)	2,043
Insurance contract liabilities		(4,834)	4,257
Reinsurance contract assets		9,798	1,519
Unearned reinsurance commission		26	(408)
Due to a related party		(8,311)	5,873
Insurance, accounts payable and accrulas		(4,072)	2,596
Net cash used in operating activities		(18,562)	(10,883)

AXA Green Crescent Insurance PJSC

Statement of cash flows (continued)

	Note	Year ended 31 December 2017 AED'000	2016 AED'000
Cash flows from investing activities			
Purchase of property and equipment	4	-	(558)
Additions to intangible assets	5	(1,583)	(7,706)
Time deposits placed		(47,347)	(18,350)
Purchase of financial assets at fair value through OCI	6	(13,647)	(22,756)
Proceeds from sale of financial assets at fair value through OCI		-	205
Maturity of financial assets at fair value through OCI	6	2,087	-
Dividends received		287	217
Interest received		4,455	2,776
Net cash used in investing activities		(55,748)	(46,172)
Net decrease in cash and cash equivalents		(74,310)	(57,055)
Cash and cash equivalents, at beginning of the year		81,742	138,797
Cash and cash equivalents, at at end of the year	11	7,432	81,742

Non-cash transactions

The principal non-cash transactions were as follows:

(i) Fair value loss on financial assets at fair value to OCI debited to fair value reserve of AED 829 thousand (2016: gain of AED 802 thousand).

(ii) Accrued interest on bonds and bank deposits of AED 997 thousand (2016: AED 1,062 thousand)

(iii) Transfer of employee's end of service benefits of AED 448 thousand from a related party, and tranfer of AED 69 thousand to a related party.

(iv) Net adjustment of AED 2,530 thousand representing the net of:
   (a) AED 4,979 thousand being the the change in Company's share in contract relating to development costs incurred for individual protection and savings project that were recorded under intangible assets, and
   (b) AED 2,449 thousand being the costs paid by AXA Gulf on behalf of the Company.

1 Corporate information

AXA Green Crescent Insurance PJSC (the "Company") is a public joint stock company, registered and incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is engaged in providing health and life insurance solutions in accordance with the UAE Federal law No. (6) of 2007, as amended, relating to insurance companies and insurance agents. The Company was incorporated on 26 July 2008. The registered office of the Company is P.O. Box 63323, Abu Dhabi, United Arab Emirates.

The Company has not made any social contribution during the financial year ended 31 December 2017.

In December 2014, the UAE Insurance Authority issued the Board of Directors' decision number (25) of 2014 pertinent to financial regulations for Insurance Companies. The insurance companies were given a period of one to three years to comply with the various sections of the financial regulations which lapsed on 31 December 2017. The Company is in compliance with the Financial Regulations issued by the Insurance Authority.

Going concern

The Company incurred a net loss amounting to AED 18.90 million for the year ended 31 December 2017 and as at 31 December 2017 the Company had accumulated losses of AED 76.76 million. These financial statements have been prepared on going concern basis. The validity of going concern assumptions is dependent upon future operations and the ability of the Company to generate sufficient cash flows to meet its future obligations. The Company has sufficient cash balances at 31 December 2017 and future plans indicated that the Company will be profitable and will generate sufficient cash flows. The Company's directors are, therefore, confident that the Company will be able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations. Accordingly, these financial statements have been prepared on a going concern basis.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and applicable requirements of UAE Commercial Companies Law No 2 of 2015 and UAE Federal law No. (6) of 2007, the articles of association of the Company.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore fairly present the financial position and results of its operations as at 31 December 2017. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements are presented in United Arab Emirates Dirham (AED) which is the functional currency of the Company and rounded to the nearest thousand (AED' 000) unless otherwise indicated.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new standards and amendments to standards effective as of 1 January 2017 which do not have any significant impact on the financial statements:

(a) New and amended standards adopted by the Company

There are no IFRS or IFRIC interpretations that would be expected to have a material impact on the Company's financial statements.

(b) New standards and amendments and interpretations issued and effective but have no material impact to the Company's financial statements

- IAS 7 (amendment), 'Statement of cash flows on disclosure initiative' (effective from 1 January 2017); and
- IFRS 12 (amendment), 'Disclosure of interests in other entities' (effective from 1 January 2017).

(c) New standards and amendments issued but not effective until financial years beginning after 1 January 2017 and not early adopted by the Company

- IFRS 17, 'Insurance contracts' (effective from 1 January 2021);
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018);
- IFRS 16, 'Leases' (effective from 1 January 2019); and
- IFRIC 22 (amendment), 'Foreign currency transactions and advance consideration' (effective 1 January 2018).

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(c) New standards and amendments issued but not effective until financial years beginning after 1 January 2017 and not early adopted by the Company (continued)

- IFRS 9, 'Financial Instruments' – Impairment (effective from 1 January 2018)
  IFRS 9 addresses the new impairment model for financial assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets with customers. The management of the Company is in the process of identifying the impact of the standard and expect that it will not have a material impact on the financial statements.

The management of the Company is in the process of identifying the relevance and the impact of the above standards, amendments and interpretations on its financial statements.

2.3 Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of the Company are measured and presented using the currency of the primary economic environment in which it operates (UAE Dirhams). The financial statements are presented in AED rounded to the nearest thousand (AED '000) unless otherwise indicated which is the Company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Translation differences on financial assets and liabilities held at fair value through income are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial assets at fair value through other comprehensive income are included in the fair value reserve in other comprehensive income.

2.4 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less, net of outstanding bank overdraft, if any.

2 Summary of significant accounting policies (continued)

2.5 Property and equipment

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

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

Depreciation is calculated using the straight-line method to write off the cost of assets to their estimated residual values over their expected useful lives, as follows:

Leasehold improvements	5 years
Furniture and fixtures	3 years
Office and computer equipment	3 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.6 Intangible assets

Intangible assets are stated at historical costs less accumulated amortisation and any impairment losses. Amortisation for computer softwares is provided over the estimated useful life of three years using the straight line method. Intangible assets classified under development costs relate to the Company's life platform development, software and website.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product's development so that it will be available for use
- management intends to complete the product and use or sell it
- there is an ability to use or sell the product
- it can be demonstrated how the product will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the product are available, and
- the expenditure attributable to the product during its development can be reliably measured.

2 Summary of significant accounting policies (continued)

2.6 Intangible assets (continued)

Directly attributable costs that are capitalised as part of the life products and related software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

2.7 Capital work-in-progress

Capital work-in-progress is stated at cost and is not depreciated/amortized. Capital work-in-progress is transferred to the appropriate asset category and depreciated/amortized in accordance with the Company's policies when construction/development of the asset is completed and the asset is commissioned.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.9 Financial assets

2.9.1 Classification

The Company early adopted IFRS 9 'Financial Instruments' effective 1 January 2010, except for the impairment model which requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The impairment model will be applied effective 1 Janaury 2018.

Financial assets are classified in their entirety on the basis of the Company'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.

Classification of debt investments will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. Financial assets under this category are carried at amortised cost using effective interest method less provision for impairment.

Bank deposits, accounts receivable and other deposits are also classified under this category.

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

2.9.1 Classification (continued)

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

Investments and other financial assets are classified as financial assets at fair value if they do not meet the conditions to be measured at amortised cost.

The Company classified its investments in debt instruments at fair value.

Purchases and sales of financial assets are recognised on the trade date. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or the Company has transferred substantially all the risks and rewards of ownership of the assets.

The Company classifies its financial assets in the following categories: at fair value through profit or loss or at fair value through other comprehensive income.

(a) Financial assets at fair value through profit or loss

A financial asset is classified into the "financial assets at fair value through profit or loss" category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

(b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise financial assets that are not held for trading and the Company has opted to use this classification.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

2.9.2 Recognition and measurement

All fair value movements on financial assets are taken through the statement of income, except for investments that are not held for trading, which may be recorded in the statement of income or in reserves (without subsequent recycling to profit or loss).

At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

2.9.2 Recognition and measurement (continued)

At initial recognition, the Company shall measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

After initial recognition the Company shall measure the financial asset at fair value. Fair value changes for financial assets at fair value through other comprehensive income are recognised in other comprehensive income as a separate component in equity. Fair value changes for financial assets at fair value through profit or loss are recognised in the statement of income.

Interest and dividends income on investments are included in 'interest income' and 'dividend income' in the statement of income. Interest income is recognised in the statement of income using the effective interest method and disclosed as interest income. Dividend income is recognised when the right to receive a dividend is established and is disclosed within investment income.

Upon derecognition, the net cumulative fair value gains or losses of debt securities recognised in other comprehensive income are recycled to profit or loss; whereas the net cumulative fair value gains or losses of equity securities recognised in other comprehensive income are transferred directly to retained earnings and not recycled through the statement of income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include, but not limited to, the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

All investments in equity instruments, including unlisted instruments, and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to determine fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

2.9.3 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

2.9.3 Impairment of financial assets (continued)

For loans and receivables category, 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of income.

2.10 Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

(i) Recognition and measurement

Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(a) Medical insurance contracts

The Company underwrite medical insurance contracts which are short term insurance contracts. The medical insurance policies protect the Company's customers from the consequences of events such as illness and disability.

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

Claims and loss adjustment expenses are charged to statement of income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs (ULAE) and arise from events that have occurred up to the reporting date even if they have not yet been reported to the Company.

2 Summary of significant accounting policies (continued)

2.10 Insurance contracts (continued)

(i) Recognition and measurement (continued)

(a) Medical insurance contracts (continued)

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

Taking into consideration the fact that significant time lags may exist between loss events and notification of the claims to the Company, incurred but not reported claims ("IBNR") are established on the basis of the Company's own estimates for claims that have already been incurred but not yet reported. These are guided by the principle of best estimate using actuarial methods of adjusted chain ladder. Such estimates are based upon both past experience and assessments of the future development. The adequacy of the provisions is regularly reviewed.

(b) Life insurance contracts

These contracts insure events associated with human life (for example death or survival) over a short or a long duration. Premiums are recognized as revenue when they become payable by the contract holder.

Life contracts include term life insurance contracts both group and individual as well as credit life policies.

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

A liability for contractual benefits that are expected to be incurred in future is recorded when the premiums are recognised. The liability is based on the assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

Premiums are shown before deduction of commissions. Claims and benefits payable to contract holders are recorded as expense when they are incurred.

(ii) Reinsurance contracts held

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

2 Summary of significant accounting policies (continued)

2.10 Insurance contracts (continued)

(ii) Reinsurance contracts held (continued)

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

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

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of income. The objective evidence of impairment is described in Note 2.9.3.

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

(iii) Liability adequacy test

Where necessary, a provision is made when the expected value of claims and administrative expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies. The assessment of whether a provision is necessary is made separately considering each category of business accounted for on an annual basis of accounting, on the basis of information available as at the reporting date, taking into account related expenses and attributable future investment return. Any deficiency is immediately charged to the profit or loss by establishing a provision for losses arising from the liability adequacy tests.

(iv) Deferred policy acquisition costs

Commissions that are related to securing new contracts and renewing existing contracts are capitalised as Deferred Acquisition Costs ("DAC"). Deferred acquisition costs are subsequently amortised over the life of the contracts. The resulting change to the carrying value of the DAC is charged to the statement of income. Other incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are recognised directly in the statement of income.

(v) Receivables and payables related to insurance contracts

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

2 Summary of significant accounting policies (continued)

2.10 Insurance contracts (continued)

(v) Receivables and payables related to insurance contracts (continued)

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of income.

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

2.11 Employees benefits

Provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date.

Provision is also made for the full amount of end of service benefits due to non-UAE national employees in accordance with UAE Labour Law, for their period of service up to the reporting date. Provision is also made up to the reporting date for pension contributions related to UAE national employees, in accordance with applicable regulation.

The provision relating to annual leave and leave passage is considered as a current liability, while that relating to end of service benefits is considered as non-current liability.

2.12 Investment income

Investment income mainly comprises of interest, dividend income, realised gains and losses on sale of investments at fair value through profit or loss and debt securities through other comprehensive income. Investment income is stated net of investment expenses and charges.

Interest income is recognized in the statement of income on an accrual basis. Interest includes interest earned on bank deposits and debt securities. Dividend receivables are included separately in dividend income when a dividend is declared. Realised gains and losses on investments are calculated as the difference between net sales proceeds and the carrying value of investments.

2.13 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (continued)

2.14 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally 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.

2.15 Provisions

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

2.16 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

2.17 Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3 Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3 Critical accounting estimates and judgments (continued)

Estimation uncertainty (continued)

(a) Liability against gross claims outstanding and IBNR

Considerable judgment by management is required in the estimation of amounts due to contract holders arising from claims under insurance contracts and for the expected ultimate cost of claims incurred but not yet reported at the statement of financial position date (IBNR). Such estimates are necessarily based on significant assumptions and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company generally estimates its claims based on previous experience. IBNR claims are estimated using assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. Claims requiring court or arbitration decisions are estimated individually. Management reviews its provisions for claims incurred on a quarterly basis.

The carrying amount at the statement of financial position date of liability against gross claims outstanding and IBNR amounted to AED 9,358 thousand (2016: AED 14,522 thousand).

(b) Impairment losses on insurance receivables

An estimate of the collectible amount of insurance receivables 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.

At the statement of financial position date, gross insurance receivables amounted to AED 20,973 thousand (2016: AED 18,594 thousand) and the provision for impairment was AED 1,864 thousand (2016: AED 2,301 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

(c) Provision for unexpired risk reserves

The Company performs a liability adequacy test at the statement of financial position date to ensure the adequacy of the contract liabilities. A provision is made when the expected value of claims and administrative expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies.

At the statement of financial position date, the provision for the unexpired risk reserve amounted to AED 3,478 thousand (2016: AED 3,325 thousand).

3 Critical accounting estimates and judgments (continued)

Estimation uncertainty (continued)

(d) Mathematical reserve

Life insurance liabilities are determined by actuarial valuation of future policy benefits on the basis of estimates made by the Company. Estimates are made, amongst other things, of the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard industry and mortality tables that best reflect historical mortality experience adjusted where appropriate to reflect the Company's own experiences. AM80 mortality and disability tables are used, with multipliers of 174% (2016: 185%). Adjustments to life insurance liabilities are made in the statement of income.

At the statement of financial position, provision for mathematical reserve amounted to AED 12,033 thousand (2016: 7,070 thousand).

(e) Impairment of financial assets at fair value through other comprehensive income

The Company follows the guidance of IAS 39 to determine when an instrument is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; the financial difficulties, delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cashflows.

The impairment of financial assets recognized in the income statement amounted to AED 734 thousands for the year ended 31 December 2017.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as investments carried at fair value or amortized cost on the basis of both:

(a) its business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

For equity investments carried at fair value, management decides whether it should be classified as investments carried at fair value through other comprehensive income or fair value through profit or loss.

Investments in equity instruments are classified and measured at fair value through profit or loss ("FVTPL") except if the equity investment is not held for trading and is designated by the Company at fair value through other comprehensive income ("FVTOCI").

3 Critical accounting estimates and judgments (continued)

Classification of investments (continued)

Further, even if the asset meets the amortised cost criteria the Company may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

For debt securities acquired to match its business model of development the line business, the Company classified these investments as financial assets at fair value through other comprehensive income.

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

4 Property and equipment

	Leasehold improvements AED'000	*Furniture and fixtures AED'000*	*Office and computer equipment AED'000*	*Motor vehicles AED'000*	*Total AED'000*
Cost					
At 1 January 2016	1,485	480	3,919	76	5,960
Additions	-	28	530	-	558
At 31 December 2016	1,485	508	4,449	76	6,518
At 31 December 2017	1,485	508	4,449	76	6,518
Accumulated depreciation					
At 1 January 2016	89	69	3,594	76	3,828
Charge for the year (Note 23)	486	147	270	-	903
At 31 December 2016	575	216	3,864	76	4,731
Charge for the year (Note 23)	486	153	323	-	962
At 31 December 2017	1,061	369	4,187	76	5,693
Net book value					
At 31 December 2017	424	139	262	-	825
At 31 December 2016	910	292	585	-	1,787

5 Intangible assets

	Development costs AED'000	*Computer software AED'000*	*Total AED'000*
Cost			
At 1 January 2016	-	1,177	1,177
Additions	13,403	1,111	14,514
At 31 December 2016	13,403	2,288	15,691
Additions	1,536	47	1,583
Adjustment (Note 5.1)	(4,979)	-	(4,979)
At 31 December 2017	9,960	2,335	12,295
Accumulated amortisation and impairment			
At 1 January 2016	-	968	968
Charge for the year (Note 23)	-	235	235
At 31 December 2016	-	1,203	1,203
Charge for the year (Note 23)	-	393	393
Impairment charge (Note 5.1, 27)	9,960	-	9,960
At 31 December 2017	9,960	1,596	11,556
Net book value			
At 31 December 2017	-	739	739
At 31 December 2016	13,403	1,085	14,488

5.1 On 6 February 2016 a master agreement was signed between AXA GCIC and AXA Gulf (together "the client") and an IT and business process outsourcing consultant ("the provider"), in respect of development of individual protection and savings operation platform with a total consideration of Euro 4.9 million (CV AED 18.7 million). It was initially agreed that AXA GCIC will be charged 75% of these costs being the main beneficiary of the project. On 20 June 2017, AXA Gulf confirmed the change of the cost sharing between AXA GCIC and AXA Gulf from 75%-25% to 50%-50% respectively for all the received invoices and all costs going forward. This amendment was formalised through an agreement on 18 July 2017.

Further on 20 June 2017, the board of directors took a decision to terminate the individual protection and savings project (refer to Note 27). Therefore, the Company fully impaired the related carrying value of the development costs amounting to AED 9.96 million relating to the project.

6 Financial assets at fair value through other comprehensive income

	2017 AED'000	2016 AED'000
Quoted bonds:		
UAE based corporate	15,204	17,423
UAE based semi government	19,091	15,327
UAE based government	11,384	7,789
	45,679	40,539
Quoted sukuk:		
UAE based corporate	5,628	1,878
UAE based semi government	1,837	1,823
UAE based government	13,687	13,598
	21,152	17,299
Quoted equity instruments:		
UAE based quoted equities	330	395
Non UAE private debt fund	727	184
	67,888	58,417

The movement in the financial assets at fair value through OCI is as follows:

	2017 AED'000	2016 AED'000
At 1 January	58,417	35,625
Additions	13,647	22,756
Maturity/disposals	(2,087)	(218)
Impairment loss recognised during the year	(734)	-
Bond premium amortisation	(526)	(548)
Net fair value (loss)/gain	(829)	802
At 31 December	67,888	58,417

The Company has not purchased or invested in any shares during the year ended 31 December 2017 and 2016. All the additions during the year relates to debt securities, sukuk and debt funds.

7 Financial assets at fair value through profit or loss

	2017 AED'000	2016 AED'000
UAE based quoted equities	3,674	3,938
UAE based quoted corporate debt instruments	5,966	5,998
	9,640	9,936

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

The movement in the financial assets at fair value through profit or loss is as follows:

	2017 *AED'000*	*2016* *AED'000*
At 1 January	9,936	9,334
Net fair value (loss)/gain	(296)	602
At 31 December	9,640	9,936

The Company has not purchased or invested in any shares during the year ended 31 December 2017 and 2016.

8 Premium and insurance balances receivable

	2017 *AED'000*	*2016* *AED'000*
Due from policyholders (i)	5,626	7,740
Less: provision for impairment of receivables	(1,864)	(2,301)
	3,762	5,439
Due from insurance companies (i)	15,282	8,551
Due from reinsurance companies (i)	166	2,303
	19,210	16,293

Included in the due from insurance companies an amount of AED 15,282 thousands (2016: AED 5,768 thousands) which is due from a related party (Note 26).

At 31 December 2017, insurance receivables at carrying value of AED 1,864 thousand (2016: AED 2,301 thousand) were impaired and fully provided. Unimpaired insurance receivables are expected to be fully recoverable and are non-interest bearing. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

Movements in the provision for impairment of insurance receivables were as follows:

	2017 *AED'000*	*2016* *AED'000*
At 1 January	2,301	2,479
Reversal during the year (Note 23)	(437)	(178)
At 31 December	1,864	2,301

8 Premium and insurance balances receivable (continued)

The ageing of insurance receivables is as follows:

31 December 2017

	Due from policy holders AED'000	*Due from insurance companies AED'000*	*Due from reinsurance companies AED'000*	*Total AED'000*
Less than 30 days	1,943	2,804	-	4,747
30 to 90 days	466	1,115	166	1,747
91 to 180 days	34	2,017	-	2,051
181 to 270 days	476	3,017	-	3,493
271 to 360 days	983	3,460	-	4,443
More than 360 days	1,724	2,869	-	4,593
	5,626	15,282	166	21,074
Less: provision for impairment of receivables	(1,864)	-	-	(1,864)
	3,762	15,282	166	19,210

31 December 2016

	Due from policy holders AED'000	*Due from insurance companies AED'000*	*Due from reinsurance companies AED'000*	*Total AED'000*
Less than 30 days	3,655	1,718	-	5,373
30 to 90 days	2,291	1,541	-	3,832
91 to 180 days	316	3,982	2,303	6,601
181 to 270 days	576	1,310	-	1,886
271 to 360 days	247	-	-	247
More than 360 days	655	-	-	655
	7,740	8,551	2,303	18,594
Less: provision for impairment of receivables	(2,301)	-	-	(2,301)
	5,439	8,551	2,303	16,293

8 Premium and insurance balances receivable (continued)

(i) The geographical allocation of receivables arising from insurance and reinsurance contracts is as follows:

	Inside UAE AED'000	*Outside UAE AED'000*	*Total AED'000*
31 December 2017			
Due from policyholders	5,626	-	5,626
Less: provision for impairment of insurance receivables	(1,864)	-	(1,864)
	3,762	-	3,762
Due from insurance companies	-	15,282	15,282
Due from reinsurance companies	-	166	166
	3,762	15,448	19,210
31 December 2016			
Due from policyholders	7,740	-	7,740
Less: provision for impairment of insurance receivables	(2,301)	-	(2,301)
	5,439	-	5,439
Due from insurance companies	2,783	5,768	8,551
Due from reinsurance companies	-	2,303	2,303
	8,222	8,071	16,293

9 Other receivables and prepayments

	2017 AED'000	*2016 AED'000*
Prepayments	651	600
Interest receivable	997	756
Advances to brokers and suppliers	111	111
Receivable from employees'	397	463
Others	538	370
	2,694	2,300

10 Statutory deposits

In accordance with the requirements of Federal Law No. 6 of 2007, concerning Insurance Companies and Agencies, the Company maintains bank deposits of AED 4,000 thousand (2016: AED 4,000 thousand), as a guarantee against its Insurance of Persons and Fund Accumulation Operations License (medical and life). This deposit cannot be utilised without the consent of UAE Insurance Authority.

The statutory deposits are held with local commercial banks and carry interest at the rate of 1.45% to 1.60% per annum (2016: 1.04% to 1.45% per annum).

11 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of the following:

	2017 *AED'000*	*2016* *AED'000*
Statutory deposits (Note 10)	4,000	4,000
Time deposits	68,346	89,542
Demand deposits and cash	5,089	10,856
Bank balances and cash	77,435	104,398
Less: statutory deposits	(4,000)	(4,000)
Less: deposits with original maturities of more than three months	(66,003)	(18,656)
Cash and cash equivalents	7,432	81,742

At 31 December 2017, bank deposits carry an effective interest rate of 1.95% to 2.25% per annum (2016: 1.25% to 2.30% annum). All bank balances and deposits are held with banks in the United Arab Emirates.

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

12 Insurance contract liabilities and reinsurance assets

Insurance contract liabilities and reinsurance contract assets by line of business as at 31 December 2017 and 2016 are presented below:

	2017			*2016*		
	Medical AED'000	***Life AED'000***	***Total AED'000***	***Medical AED'000***	***Life AED'000***	***Total AED'000***
Liabilities arising from insurance contracts						
Gross unearned premiums ("UPR")	2,319	4,735	7,054	6,274	5,140	11,414
Gross claims outstanding ("OCLR")	1,655	2,832	4,487	4,007	4,705	8,712
Claims incurred but not reported ("IBNR")	520	4,351	4,871	2,109	3,701	5,810
Unexpired risk reserve ("URR")	873	2,605	3,478	1,651	1,674	3,325
Mathematical reserve ("LMR")	-	12,033	12,033	-	7,070	7,070
Unallocated loss adjustment expense reserve ("ULAE")	87	156	243	110	559	669
	5,454	26,712	32,166	14,151	22,849	37,000
Reinsurance contract assets						
Reinsurers' share of unearned premiums	-	865	865	3,133	3,163	6,296
Reinsurers' share of gross claims outstanding	416	455	871	1,898	2,434	4,332
Reinsurers' share of IBNR	24	923	947	1,238	615	1,853
	440	2,243	2,683	6,269	6,212	12,481
Net						
Unearned premiums	2,319	3,870	6,189	3,141	1,977	5,118
Claims outstanding	1,239	2,377	3,616	2,109	2,271	4,380
Claims incurred but not reported	496	3,428	3,924	871	3,086	3,957
Unexpired risk reserve	873	2,605	3,478	1,651	1,674	3,325
Mathematical reserve	-	12,033	12,033	-	7,070	7,070
Unallocated loss adjustment expense reserve	87	156	243	110	559	669
	5,014	24,469	29,483	7,882	16,637	24,519

12 Insurance contract liabilities and reinsurance assets (continued)

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

	2017			2016		
	Gross AED'000	Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED'000	Net AED'000
Medical						
Unearned premiums						
At the beginning of the year	6,274	(3,133)	3,141	13,635	(5,467)	8,168
Written during the year	5,241	-	5,241	16,154	(8,061)	8,093
Earned during the year	(9,196)	3,133	(6,063)	(23,515)	10,395	(13,120)
Total at the end of the year	2,319	-	2,319	6,274	(3,133)	3,141
Life						
Unearned premiums						
At the beginning of the year	5,140	(3,163)	1,977	2,038	(1,076)	962
Written during the year	20,411	(6,527)	13,884	16,832	(9,116)	7,716
Earned during the year	(20,816)	8,825	(11,991)	(13,730)	7,029	(6,701)
Total at the end of the year	4,735	(865)	3,870	5,140	(3,163)	1,977

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

12 Insurance contract liabilities and reinsurance assets (continued)

The movement in the provisions for outstanding claims, IBNR, mathematical reserve and the related reinsurers' share, was as follows:

	2017			*2016*		
	Gross AED'000	***Reinsurance AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurance AED'000***	***Net AED'000***
Medical						
Total at the beginning of the year	6,116	(3,136)	2,980	12,907	(6,195)	6,712
Claims incurred during the year	3,820	(1,422)	2,398	14,750	(6,473)	8,277
Claims settled during the year	(7,761)	4,118	(3,643)	(21,541)	9,532	(12,009)
Total at the end of the year	2,175	(440)	1,735	6,116	(3,136)	2,980
Life						
Total at the beginning of the year	15,476	(3,049)	12,427	1,689	(1,262)	427
Claims incurred during the year	14,879	(1,521)	13,358	20,231	(5,304)	14,927
Claims settled during the year	(11,139)	3,192	(7,947)	(6,444)	3,517	(2,927)
Total at the end of the year	19,216	(1,378)	17,838	15,476	(3,049)	12,427

The medical claims development table is not disclosed. A large portion of medical claims is usually settled during the 12 month period following their occurrence and the claims will run off with 24 months.

12 Insurance contract liabilities and reinsurance assets (continued)

The gross insurance liabilities calculated by the Company's external actuary, Nauman Associates Consulting Actuaries, are as follows:

	2017 AED'000 Gross	*2017 AED'000 Net*
Unearned premiums	7,054	6,189
Claims outstanding	4,487	3,616
Claims incurred but not reported	4,871	3,924
Unexpired risk reserve	3,478	3,478
Mathematical reserve	12,033	12,033
Unallocated loss adjustment expense reserve	243	243
	32,166	29,483

13 Provision for employees' end of service benefits

The Company provides for end of service benefits for its expatriate employees in accordance with the employees' contracts of employment.

The end of service benefits is determined in accordance with the accounting policy set out in Note 2.11 and is broadly consistent with the obligation computed in accordance with IAS 19 as the net impact of the discount rate and future salary and benefits level on present value of the benefits obligation are not assessed to be significant. Management has assumed average increment/promotion cost of 3 percent (2016: 3 percent). The expected liability at the date of leaving the service has been discounted to its net present value using the discount rate of 3.08 percent (2016: 2.52 percent).

The movement in the provision during the year is as follows:

	2017 AED'000	*2016 AED'000*
At 1 January	388	618
Charge for the year	151	230
Transfered from a related party (Note 26)	448	-
Transfered to a related party (Note 26)	(69)	-
Payments during the year	(183)	(460)
At 31 December	735	388

14 Insurance, accounts payable and accruals

	2017 *AED'000*	*2016* *AED'000*
Due to reinsurers	1,051	2,394
Due to reinsurers – related parties (Note 26)	12,442	10,384
Commission payable	2,458	2,885
Due to policy-holders	1,242	1,196
Premium received in advance	239	258
Accrued expenses and other payables	3,431	7,818
	20,863	24,935

(i) The geographical distribution of insurance, accounts payable and accruals is as follows:

	2017 *AED'000*	*2016* *AED'000*
Inside UAE		
Commission payable	2,458	2,885
Due to policy-holders	1,242	1,196
Premiums received in advance	239	258
Accrued expenses and other payables	3,431	3,990
	7,370	8,329
Outside UAE		
Due to reinsurers	1,051	2,394
Due to reinsurers – related parties (Note 26)	12,442	10,384
Accrued expenses and other payables	-	3,828
	13,493	16,606
	20,863	24,935

15 Share capital

	2017 *AED'000*	*2016* *AED'000*
Authorised, issued and fully paid		
200 million shares of AED 1 each (2016: 200 million shares of AED 1 each)	200,000	200,000

The Company's shares are listed at the Abu Dhabi Stock Exchange.

16 Reserves

(a) Legal reserve

In accordance with Article of Association of the Company and in line with the provisions of Article 103 of the UAE Federal Law No. 2 of 2015 ("Companies Law"), the Company is required to transfer annually to a legal reserve account an amount equal to 10% of its net profit until such reserve reaches 50% of the share capital of the Company. This reserve is not available for distribution. No amount was transferred to the reserve during the year as the Company incurred a net loss.

16 Reserves (continued)

(b) Other reserve

Subscription issuance fee of AED 0.025 per share was paid on subscription to cover the incorporation expenses of the Company amounting to AED 6,250 thousand. The Company received a refund relating to incorporation expenses amounting to AED 1,372 thousand which has been recognised directly in equity under other reserve.

17 Net insurance premium revenue

	2017 *AED'000*	*2016* *AED'000*
Gross written premium		
Medical insurance	5,241	16,154
Life insurance		
- Direct	20,411	17,788
- Assumed premiums	14,324	11,967
	39,976	45,909
Ceded premiums		
Medical insurance	-	(8,061)
Life insurance	(7,276)	(10,336)
	(7,276)	(18,397)
Net written premium	32,700	27,512
Change in unearned premiums reserve		
Medical insurance	3,955	7,361
Life insurance	405	(3,102)
Adjustment to UPR	-	427
	4,360	4,686
Change in reinsurers' share of unearned premiums reserve		
Medical insurance	(3,133)	(2,334)
Life insurance	(2,298)	2,087
	(5,431)	(247)
Net transfer to unearned premium reserve	(1,071)	4,439
Change in unexpired risk reserve		
Medical insurance	778	(253)
Life insurance	(931)	(1,206)
	(153)	(1,459)
Net insurance premium revenue	31,476	30,492

18 Reinsurance commissions

	2017 AED'000	2016 AED'000
Commission received from reinsurers	595	237
Unearned reinsurance commissions at beginning of year	37	445
Unearned reinsurance commissions at end of year	(63)	(37)
Reinsurance commission earned	569	645

19 Investment income

	2017 AED'000	2016 AED'000
Financial assets carried at fair value		
Dividend income	287	217
Interest income	3,118	2,323
Bond premium amortisation	(526)	(548)
Loss on sale of financial assets at fair value through OCI	-	(13)
Term deposits		
Interest income	1,578	1,116
	4,457	3,095

20 Insurance claims

	2017 AED'000	2016 AED'000
Paid claims	18,900	27,985
Recovered claims	(7,310)	(13,049)
	11,590	14,936
Change in the provision for outstanding claims	(4,225)	1,837
Change in reinsurers' share of provision for outstanding claims	3,461	(789)
	(764)	1,048
Change in IBNR	(939)	(1,911)
Change in reinsurers' share of IBNR	906	2,061
	(33)	150
Change in mathematical reserve	4,963	7,070
Change in ULAE reserve	(426)	61
Net claims incurred	15,330	23,265

21 Expenses for acquisition of insurance contracts

	2017 AED'000	2016 AED'000
Commission paid	1,729	2,643
Profit sharing	1,612	-
Deferred acquisition costs at beginning of year	1,012	1,481
Deferred acquisition costs at end of year	(512)	(1,012)
Acquisition costs incurred	3,841	3,112

22 Claims administration fees

Claims administration fees amounting to AED 369 thousand (2016: AED 1,147 thousand) represent administration fees incurred for claims administration, authorisation, processing and settlement services by the third party administrator ("TPAs").

23 General and administrative expenses

	2017 AED'000	2016 AED'000
Staff costs (Note 24)	11,954	13,702
Legal and professional	1,925	2,108
IT maintenance cost charged by a related party (Note 26)	1,784	54
Rent	501	639
Marketing and advertisement	107	308
Travel and transport	214	349
Depreciation (Note 4)	962	903
Amortisation (Note 5)	393	235
Communication	311	1,002
Bank charges	74	106
Reversal for impairment of insurance receivables (Note 8)	(437)	(178)
Other	1,895	2,046
	19,683	21,220

General and administrative expenses include certain amounts charged by a related party (Note 26).

24 Staff costs

	2017 AED'000	2016 AED'000
Salaries and wages	3,148	2,862
Other benefits	2,452	2,855
Salaries and wages - seconded staff (Note 26)	3,085	3,821
Other benefits – seconded staff (Note 26)	3,269	4,164
	11,954	13,702

25 Loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares used to calculate basic loss per share, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the loss and shares data used in the loss per share computations:

	2017 *AED'000*	*2016* *AED'000*
Loss for the year attributable to ordinary equity holders (AED '000)	(18,904)	(13,910)
Weighted average number of ordinary shares	200,000,000	200,000,000
Loss per share for the year – basic and diluted (AED)	(0.09)	(0.07)

26 Related party transactions and balances

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Balances with related parties included in the statement of financial position are as follows:

	2017 *AED'000*	*2016* *AED'000*
Due from AXA Gulf in respect of assumed business (Note 8)	15,282	5,768
Due to AXA Gulf:		
- Reinsurance contracts (Note 14)	12,442	10,384
- Others	3,928	15,148

26 Related party transactions and balances (continued)

Transactions with related parties during the year are as follows:

	2017 *AED'000*	*2016* *AED'000*
Reinsurance contracts with AXA Gulf		
- Ceded premium on health business	-	(7,817)
- Ceded premium on life business	(6,478)	(7,537)
- Recovered claims on health business	3,905	2,421
- Recovered claims on life business	2,536	3,515
Reinsurance contracts with AXA Lebanon		
Ceded premium on life business	(324)	(337)
Reinsurance contracts with Maxis		
Ceded premium on life business	(1,468)	(1,241)
Recovered claims on life business	184	104
Expenses charged to the Company by AXA Gulf:		
- Secondment costs (Note 24) (i)	(6,354)	(7,985)
- Communication and traveling expenses (Note 23)	(264)	(1,117)
- Software maintainance costs (Note 23)	(1,784)	(54)
- Other costs (Note 23)	(359)	(190)
Assumed business with AXA Gulf:		
Assumed premium	12,425	9,184
Claims paid	(2,545)	(1,320)
Others:		
Secondment costs charged to AXA EA partners by AXA GCIC	(468)	-
Expenses charged by AXA EA partners to the Company	314	-
Employees' end of service benefits transferred to the Company by AXA Gulf	448	-
Employees' end of service benefits transferred by the Company to AXA Gulf	(69)	-
Development costs incurred in respect of health and life software applications	-	953
Assets purchased by AXA Gulf on behalf of the AXA GCIC	-	465

26 Related party transactions and balances (continued)

	2017 AED'000	*2016 AED'000*
Compensation of key management personnel The remuneration of key management personnel during the year as follows:		
Short term benefits	1,832	1,951
Employees' end of service benefits	47	60
	1,879	2,011

(i) Some employees of the Company are seconded from AXA Group and the related secondment costs incurred during the year amounted to AED 6,354 thousand (2016: AED 7,985 thousand).

27 Termination of individual protection and savings project

On 6 February 2016 a master agreement was signed between AXA GCIC and AXA Gulf (together "the client") and an IT and business process outsourcing consultant ("The provider"), in respect of development of individual protection and savings platform with a total consideration of Euro 4.9 million (CV AED 18.7 million). It was initially agreed that AXA GCIC will be charged 75% of these costs being the main beneficiary of the project and amended subsequently to 50% (refer to Note 5.1).

On 20 June 2017, the board of directors took a decision to terminate the project. The Company formally communicated the termination decision to the provider and commenced the termination negotiations.

As of 30 September 2017, the Company fully impaired the carrying value of the development costs recognised amounting to AED 9.96 million (refer to Note 5.1). Thereafter, AXA Gulf communicated additional charges relating to AXA GCIC share of invoices paid by AXA Gulf and not yet charged to the Company of AED 2,449 thousand. These were accounted for in the statement of income.

On 17 December 2017, the client reached a final settlement agreement with the provider whereby it was agreed that the client will pay Euro 1.338 million (CV AED 5.88 million) equally shared between AXA Gulf and AXA GCIC (AED 2.94 million each).

28 Risk management framework

Governance framework

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

28 Risk management framework (continued)

Regulatory framework

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

28.1 Underwriting risk

The principal risk the Company 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 Company is to ensure that sufficient reserves are available to cover these liabilities.

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

The Company purchases reinsurance as part of its risk management mitigation programme. Reinsurance ceded is placed mainly on a proportional basis. The majority of proportional reinsurance is quota-share and surplus reinsurance arrangements which is taken out to reduce the overall exposure of the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

(i) Life insurance contracts

Life insurance contracts offered by the Company consist of term assurance.

Term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes accounts of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

28 Risk management framework (continued)

28.1 Underwriting risk (continued)

(i) Life insurance contracts (continued)

For contracts when death or disability is the issued risk, the significant factors that should increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

(ii) Medical insurance contracts

The frequency and amounts of claims can be affected by several factors. The Company underwrites primarily insurance contracts for medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one to two years of the insured event taking place. This helps to mitigate insurance risk.

Medical insurance is designed to compensate contract holders for hospitalization and medication expenses arising through illness and any other health issues.

For medical insurance the main risks are illnesses that require long-term hospitalization and expensive medications. These contracts are underwritten by reference to the age and health status of the contract holder. Effective 1 January 2017, the Company is fully retaining the medical business.

28.2 Financial risk

The Company's financial assets comprise of investments, insurance and reinsurance receivables, bank deposits, cash in hand and at bank and certain other receivables. Financial liabilities of the Company comprise of liability against gross claims outstanding, trade and certain other payables.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, equity price risk and interest rate risk).

28.2.1 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 Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

For the Company, credit risk principally arises from deposits placed with banks, financial assets held at fair value through other comprehensive income and outstanding insurance receivables. The Company's fourteen customers (2016: nine customers) largest contract holders account for 77% of outstanding insurance receivables at 31 December 2017 (2016: 45%).

28 Risk management framework (continued)

28.2 Financial risk (continued)

28.2.1 Credit risk (continued)

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

- The Company only enters into insurance and reinsurance contracts with recognized, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

- The Company's investment portfolio is managed in accordance with the investment policy established by the Investment Committee.

- The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the Investment Committee.

Credit risk is limited to the carrying amounts of financial instruments on the statement of financial position.

The table below summarises assets bearing credit risk:

	2017 *AED'000*	*2016* *AED'000*
Time deposits	68,346	89,542
Demand deposits (excluding cash in hand)	5,082	10,840
Statutory deposits	4,000	4,000
Premium and insurance balances receivable	19,210	16,293
Other receivables (excluding prepayments)	2,043	1,700
Reinsurance contract assets	2,683	12,481
Financial assets at fair value through OCI	67,888	58,417
Financial assets at fair value through profit or loss	9,640	9,936
	178,892	203,209

The assets above are analysed in the table below using Standard & Poors (S&P) rating (or equivalent when not available from S&P). The concentration of credit risk is substantially unchanged compared to the prior year.

AXA Green Crescent Insurance PJSC

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

28 Risk management framework (continued)

28.2 Financial risk (continued)

28.2.1 Credit risk (continued)

	Cash and cash equivalents	*Financial assets at FV through OCI*	*Financial assets at fair value through profit or loss*	*Reinsurance contract assets*	*Insurance and other receivables*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
At 31 December 2017						
AAA to A	77,428	50,095	9,640	2,683	15,282	155,128
BBB to B	-	11,627	-	-	166	11,793
CCC to C	-	5,439	-	-	-	5,439
Not rated	-	727	-	-	5,805	6,532
Total	77,428	67,888	9,640	2,683	21,253	178,892
At 31 December 2016						
AAA to A	104,382	51,826	5,998	12,481	8,071	182,758
BBB to B	-	6,013	-	-	2,783	8,796
Not rated	-	578	3,938	-	7,139	11,655
Total	104,382	58,417	9,936	12,481	17,993	203,209

28.2.2 Liquidity risk

Liquidity risk is the risk that Company will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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 Company's treasury maintains flexibility in funding by maintaining sufficient liquidity reserves comprising investments carried at fair value (Note 6 and 7), deposits placed with the banks, and cash in hand and at bank (Note 11) on the basis of expected future cash flows.

The contractual maturities of liabilities are determined on the basis of the remaining period from the statement of financial position date to the contractual maturity date. The undiscounted values on contractual maturities of financial liabilities approximate their carrying values on the statement of financial position at 31 December 2017.

Substantially all the financial liabilities of the Company are due within one year from the statement of financial position date. The Company does not have any interest bearing liabilities.

28 Risk management framework (continued)

28.2 Financial risk (continued)

28.2.3 Market risk

Market risk arises from fluctuations in currency rates, equity prices and interest rates. The management monitors the market risk on an ongoing basis and on any significant transaction. Market risk is further analysed into currency risk, equity price risk and interest rate risk.

(i) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has limited transactional exposure to exchange rate risk as it generally enters into contracts in UAE Dirham, being the functional currency of the Company and US Dollar. The AED is pegged to the US Dollar.

(ii) Price risk

Price risk is the risk that the fair values of equities and other quoted instruments decrease as the result of changes in the levels of indices and the value of individual instruments. The price risk exposure arises from the Company's equity and debt instruments portfolio carried at fair value. The effect on 'total equity' and 'statement of income' (as a result of a change in the value of investments held at fair value at 31 December 2017) due to a reasonably possible change in indices, with all other variables held constant, is as follows. The effect of decreases in prices is expected to be equal and opposite to the effect of the increases shown.

	Change in index %	Effect on equity AED'000	Effect on statement of income AED'000
31 December 2017			
Indicator			
Quoted equities	10	33	367
Debt instruments classified at fair value through P&L	10	-	597
Debt instruments classified at fair value through OCI	10	6,683	-
31 December 2016			
Indicator			
Quoted equities	10	39	394
Debt instruments classified at fair value through P&L	10	-	600
Debt instruments classified at fair value through OCI	10	5,784	-

28 Risk management framework (continued)

28.2 Financial risk (continued)

28.2.3 Market risk (continued)

(iii) 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 Company is exposed to interest rate risk on its interest bearing assets (debt securities, statutory deposits and bank deposits). The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments are denominated.

28 Risk management framework (continued)

28.2 Financial risk (continued)

28.2.3 Market risk (continued)

(iii) Interest rate risk (continued)

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

	Less than 1 year AED'000	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Non-interest Bearing items AED'000*	*Total AED'000*
31 December 2017					
Investments carried at fair value – equities	-	-	-	4,731	4,731
Investments carried at fair value - debt instruments	3,728	59,383	9,686	-	72,797
Statutory deposit	-	-	4,000	-	4,000
Time deposits	68,346	-	-	-	68,346
Reinsurance contract assets	-	-	-	2,683	2,683
Premium and insurance receivable balances	-	-	-	19,210	19,210
Other receivables	2,043	-	-	-	2,043
Demand deposits and cash	-	-	-	5,082	5,082
	74,117	59,383	13,686	31,706	178,892
31 December 2016					
Investments carried at fair value – equities	-	-	-	4,333	4,333
Investments carried at fair value - debt instruments	5,998	30,846	27,176	-	64,020
Statutory deposit	-	-	4,000	-	4,000
Time deposits	70,886	18,656	-	-	89,542
Reinsurance contract assets	-	-	-	12,481	12,481
Premium and insurance receivable balances	-	-	-	16,293	16,293
Other receivables	1,700	-	-	-	1,700
Demand deposits and cash	-	-	-	10,840	10,840
	78,584	49,502	31,176	43,947	203,209

28 Risk management framework (continued)

28.2 Financial risk (continued)

28.2.3 Market risk (continued)

(iii) Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's statement of comprehensive income based on the interest bearing financial assets and financial liabilities held at 31 December 2017.

	Increase/ decrease in basis points AED'000	Effect on statement of income AED'000
31 December 2017		
AED	+50	724
AED	-50	(724)
31 December 2016		
AED	+50	785
AED	-50	(785)

28.3 Capital management objectives, policies and approach

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

The capital management objectives are:

- To maintain the required level of stability of the Company thereby providing a degree of security to contract holders;
- 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 contract holders, regulators and stakeholders; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

28 Risk management framework (continued)

28.3 Capital management objectives, policies and approach (continued)

Approach to capital management

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

The Company'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 Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds.

The Company has had no significant changes in its policies and processes relating to its capital structure during the current period.

The Company's objectives when managing capital is to comply with the insurance capital requirements of UAE Federal Law No. (6) of 2007, concerning insurance companies and agents. In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year. The Company is subject to local insurance solvency regulations. The Company has incorporated in its policies and procedures the necessary tests to ensure compliance with such regulations. The table below summarizes the minimum regulatory capital of the Company and the total capital held.

	2017 AED	2016 AED
Share capital (Note 14)	200,000,000	200,000,000
Minimum regulatory capital	100,000,000	100,000,000

28.4 Operational risk

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

28 Risk management framework (continued)

28.5 Fair values of financial instruments

While the Company prepares its financial statements under the historical cost convention modified for measurement to fair value of investments carried at fair value, in the opinion of management, the estimated carrying values and fair values of financial assets and liabilities that are not carried at fair value in the financial statements are not materially different.

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

Assets measured at fair value

At 31 December 2017	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
At fair value through profit or loss				
Quoted equities	3,674	-	-	3,674
Quoted debt instruments	5,966	-	-	5,966
	9,640	-	-	9,640
At fair value through other comprehensive income				
Quoted equities	330	-	-	330
Quoted debt instruments	66,831	-	-	66,831
Private debt fund	-	-	727	727
	67,161	-	727	67,888
	76,801	-	727	77,528
At 31 December 2016				
At fair value through profit or loss				
Quoted equities	3,938	-	-	3,938
Quoted debt instruments	5,998	-	-	5,998
	9,936	-	-	9,936
At fair value through other comprehensive income				
Quoted equities	395	-	-	395
Quoted debt instruments	57,838	-	-	57,838
Private debt fund	-	-	184	184
	58,233	-	184	58,417
	68,169	-	184	68,353

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

29 Contingencies and commitments

Contingencies

As of 31 December 2017, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 2,000 thousand (2016: AED 2,000 thousand).

Commitments

Estimated capital expenditure contracted for at the statement of financial position date but not provided for amounted to Nil (2016: AED 6,256 thousand).

30 Segment information

For management purposes, the Company is organised into business units based on their products and services and has two reportable operating segments as follows:

- The medical insurance segment that provide medical cover to policyholders; and
- The life insurance segment offers term life assurance products. No operating segments have been aggregated to form the above reportable operating segments.

No inter-segment transactions occurred in 2017 and 2016.

30 Segment information (continued)

Segment statement of income for the year ended 31 December 2017

	Medical AED'000	*Life AED'000*	*Total AED'000*
Gross premiums written	5,241	34,735	39,976
Change in provision for unearned premium reserve	3,955	405	4,360
Change in provision for unexpired risk reserve	778	(931)	(153)
Insurance premiums earned	9,974	34,209	44,183
Premium ceded to reinsurers	-	(7,276)	(7,276)
Change in reinsurance share of unearned premium reserve	(3,133)	(2,298)	(5,431)
	(3,133)	(9,574)	(12,707)
Net insurance premium revenue	6,841	24,635	31,476
Reinsurance commission	6	563	569
Expense for acquisition of insurance contracts	(700)	(3,141)	(3,841)
Net commissions incurred	(694)	(2,578)	(3,272)
Gross claims paid	(7,761)	(11,139)	(18,900)
Change in provision for outstanding claims	2,352	1,873	4,225
Change in IBNR	1,589	(650)	939
Change in LMR	-	(4,963)	(4,963)
Change in ULAE	23	403	426
Gross claims incurred	(3,797)	(14,476)	(18,273)
Claims recovered from reinsurers	4,118	3,192	7,310
Change in reinsurer share of outstanding claims	(1,482)	(1,979)	(3,461)
Change in the reinsurer share of IBNR	(1,214)	308	(906)
Net claims incurred	(2,375)	(12,955)	(15,330)
Claims administration fees	(369)	-	(369)
Total claims and insurance related expenses	(2,744)	(12,955)	(15,699)
Net underwriting income	3,403	9,102	12,505
Investment income	1,006	3,451	4,457
Impairment of financial assets at fair value through other comprehensive income	-	(734)	(734)
Net fair value gain on financial assets	(296)	-	(296)
Other income	45	154	199
	4,158	11,973	16,131

30 Segment information (continued)

Segment statement of income for the year ended 31 December 2017 (continued)

	Medical AED'000	*Life AED'000*	*Total AED'000*
General and administrative expenses	(4,877)	(14,806)	(19,683)
Termination cost	-	(2,943)	(2,943)
Development cost incurred	-	(2,449)	(2,449)
Impairment of development cost	-	(9,960)	(9,960)
Loss for the year	(719)	(18,185)	(18,904)

Details of segment assets and liabilities is presented below:

	Medical AED'000	*Life AED'000*	*Unallocated AED'000*	*Total AED'000*
Segment assets	11,833	89,097	80,696	181,626
Segment liabilities	13,653	30,715	13,387	57,755

30 Segment information (continued)

Segment statement of income for the year ended 31 December 2016

	Medical AED'000	*Life AED'000*	*Total AED'000*
Gross premiums written	16,154	29,755	45,909
Change in provision for unearned premium reserve	7,498	(2,812)	4,686
Change in provision for unexpired risk reserve	(253)	(1,206)	(1,459)
Insurance premiums earned	23,399	25,737	49,136
Premium ceded to reinsurers	(8,061)	(10,336)	(18,397)
Change in reinsurance share of unearned premium reserve	(2,334)	2,087	(247)
	(10,395)	(8,249)	(18,644)
Net insurance premium revenue	13,004	17,488	30,492
Reinsurance commission	419	226	645
Expense for acquisition of insurance contracts	(2,013)	(1,099)	(3,112)
Net commissions incurred	(1,594)	(873)	(2,467)
Gross claims paid	(21,541)	(6,444)	(27,985)
Change in provision for outstanding claims	1,878	(3,715)	(1,837)
Change in IBNR	4,913	(3,002)	1,911
Change in LMR	-	(7,070)	(7,070)
Change in ULAE	334	(395)	(61)
Gross claims incurred	(14,416)	(20,626)	(35,042)
Claims recovered from reinsurers	9,532	3,517	13,049
Change in reinsurer share of outstanding claims	(824)	1,613	789
Change in the reinsurer share of IBNR	(2,235)	174	(2,061)
Net claims incurred	(7,943)	(15,322)	(23,265)
Claims administration fees	(1,147)	-	(1,147)
Total claims and insurance related expenses	(9,090)	(15,322)	(24,412)
Net underwriting income	2,320	1,293	3,613
Investment income	1,474	1,621	3,095
Net fair value gain on financial assets	287	315	602
	4,081	3,229	7,310
General and administrative expenses	(8,891)	(12,329)	(21,220)
Loss for the year	(4,810)	(9,100)	(13,910)

30 Segment information (continued)

Details of segment assets and liabilities is presented below

	Medical AED'000	*Life AED'000*	*Unallocated AED'000*	*Total AED'000*
Segment assets	20,861	89,485	110,766	221,112
Segment liabilities	21,778	35,857	19,873	77,508

31 Reclassification

An amount of AED 306 thousand was transferred from "Other receivables and prepayments" to "Time deposits" relating to accrued interest previously classified as other receivables to the deposits to conform with current year presentation.