AL DHAFRA INSURANCE COMPANY P.S.C.

Review report and interim financial information for the period ended 31 March 2016

AL DHAFRA INSURANCE COMPANY P.S.C.

Review report and interim financial information for the period ended 31 March 2016

The Board of Director's Report
for the period ended 31 March 2016

The Board of Directors takes pleasure in presenting the unaudited results for the period ended 31 March 2016.

As noted below, net underwriting income decreased by 29.31% and profit has decreased by 20.52% as compared to the same period in the prior year.

Particulars	**3 months ended 31 March**		
	2016 (unaudited) AED	2015 (unaudited) AED	Variance %
Condensed statement of profit or loss			
Gross written premium	**103,549,698**	146,697,649	(29.41%)
Net underwriting income	**21,248,648**	30,058,783	(29.31%)
Administrative and other operating expenses	**8,068,570**	8,304,526	(2.84%)
Net investment and other income	**9,384,978**	6,635,929	41.43%
Profit for the period	**22,565,056**	28,390,186	(20.52%)
Basic and diluted earnings per share (AED)	**0.23**	0.28	

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED restated	Variance %
Condensed statement of financial position			
Shareholders' equity	**302,841,743**	269,696,673	12.29%
Total assets	**948,105,426**	865,586,676	9.53%

Chairman
11 May 2016

Deloitte.

Deloitte & Touche (M.E.)
Al Sila Tower
Abu Dhabi Global Market Square
P.O. Box 990
Abu Dhabi
United Arab Emirates

Tel: +971 (0) 2 408 2424
Fax: +971 (0) 2 408 2525
www.deloitte.com/middleeast

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Al Dhafra Insurance Company P.S.C.
Abu Dhabi, UAE

Introduction

We have reviewed the accompanying condensed statement of financial position of Al Dhafra Insurance Company P.S.C. ("the Company") as of 31 March 2016 and the related condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management of the Company is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard IAS 34, "*Interim Financial Reporting (IAS 34)*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
11 May 2016

Condensed statement of financial position
as at 31 March 2016

	Notes	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED restated
ASSETS			
Non-current assets			
Property and equipment		**1,479,040**	1,683,823
Investment properties	**5**	**82,000,000**	82,000,000
Intangible assets	**6**	**2,707,482**	2,929,291
Investments at fair value through other comprehensive income (FVTOCI)	**7**	**173,982,624**	163,402,610
Investments at amortised cost	**7**	**6,580,278**	6,580,278
Statutory deposit	**8**	**10,000,000**	10,000,000
Total non-current assets		**276,749,424**	266,596,002
Current assets			
Investments designated at fair value through profit or loss (FVTPL)	**7**	**103,964,380**	101,478,339
Reinsurers' share of technical provisions:	**9**		
Unearned premium reserve		**86,111,418**	48,562,394
Claims under settlement reserve		**119,522,566**	88,892,639
Claims incurred but not reported reserve		**28,386,976**	24,606,326
Insurance and other receivables	**11**	**113,720,935**	122,499,066
Prepayments		**2,076,561**	2,133,026
Deferred acquisition costs		**6,413,386**	3,587,740
Bank and cash balances	**19**	**211,159,780**	207,231,144
Total current assets		**671,356,002**	598,990,674
Total assets		**948,105,426**	865,586,676

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

Condensed statement of financial position (continued)
as at 31 March 2016

	Notes	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED restated
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	12	**100,000,000**	100,000,000
Legal reserve	13	**50,000,000**	50,000,000
General reserve	14	**145,000,000**	145,000,000
Investment revaluation reserve		**(18,000,177)**	(28,580,191)
Retained earnings		**25,841,920**	3,276,864
Total shareholders' equity		**302,841,743**	269,696,673
Non-current liability			
Provision for end of service benefit		**7,683,132**	7,547,240
Current liabilities			
Gross technical provisions	9		
Unearned premium reserve		**150,234,089**	135,078,293
Claims under settlement reserve		**245,533,149**	220,067,510
Claims incurred but not reported reserve		**47,666,564**	45,267,948
Unallocated loss adjustment expense		**4,638,482**	4,199,541
Unexpired risk reserve		**6,650,214**	8,333,000
Insurance and other payables	15	**161,560,138**	161,424,662
Unearned commission income		**21,297,915**	13,971,809
Total current liabilities		**637,580,551**	588,342,763
Total liabilities		**645,263,683**	595,890,003
Total equity and liabilities		**948,105,426**	865,586,676

Assistant General Manager - Finance **General Manager** **Board Member**

AL DHAFRA INSURANCE CO. P.S.C.-FAD 1 ABU DHABI

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

Condensed statement of profit or loss (unaudited) for the period ended 31 March 2016

	Notes	Three months ended 31 March 2016 AED	2015 AED
Gross written premium		**103,549,698**	146,697,649
Reinsurance premium ceded		**(67,602,894)**	(40,118,994)
Reinsurance share of ceded business premium		**(3,263,425)**	(1,884,201)
Net premium		**32,683,379**	104,694,454
Net transfer to unearned premium reserve		**22,393,228**	(20,297,160)
Net premium earned		**55,076,607**	84,397,294
Gross commission earned		**15,396,851**	9,747,818
Less: commission incurred		**(6,153,105)**	(5,103,019)
Change in unearned commission income		**(7,326,106)**	-
Change in deferred acquisition costs		**2,825,646**	-
Gross underwriting income		**59,819,893**	89,042,093
Gross claims incurred		**(62,267,493)**	(55,605,060)
Reinsurance share of insurance claims		**12,074,122**	6,536,787
Reinsurance share of ceded business claims		**3,831,959**	(278,290)
Net claims paid		**(46,361,412)**	(49,346,563)
Change in provision for outstanding claims		**(25,465,639)**	(13,556,770)
Change in reinsurance share for outstanding claims		**30,629,927**	3,920,023
Change in claims incurred but not reported reserve		**1,382,034**	-
Change in unallocated loss adjustment expense		**(438,941)**	-
Change in unexpired risk reserve		**1,682,786**	-
Net claims incurred		**(38,571,245)**	(58,983,310)
Net underwriting income		**21,248,648**	30,058,783
Income from investments	16	**8,197,491**	5,413,201
Income from investment properties		**1,108,667**	1,098,516
Other gain/(loss), net		**78,820**	124,212
Total income		**30,633,626**	36,694,712
General and administrative expenses		**(6,594,534)**	(6,282,564)
Other operating expenses		**(1,474,036)**	(2,021,962)
Profit for the period	17	**22,565,056**	28,390,186
Basic and diluted earnings per ordinary share	18	**0.23**	0.28

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

Condensed statement of comprehensive income (unaudited) for the period ended 31 March 2016

	Note	3 months ended 31 March 2016 AED	3 months ended 31 March 2015 AED
Profit for the period		**22,565,056**	28,390,186
Other comprehensive income/(loss):			
Items not to be reclassified to profit or loss in subsequent period:			
Net fair value gain/(loss) on investments at FVTOCI	7	**10,580,014**	(8,564,730)
Total other comprehensive income/(loss) for the period		**10,580,014**	(8,564,730)
Total comprehensive income for the period		**33,145,070**	19,825,456

Condensed statement of changes in equity for the period ended 31 March 2016

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2015 (audited)	100,000,000	50,000,000	145,000,000	(14,151,046)	124,955,119	405,804,073
Profit for the period	-	-	-	-	28,390,186	28,390,186
Other comprehensive loss	-	-	-	(8,564,730)	-	(8,564,730)
Total comprehensive (loss)/income for the period	-	-	-	(8,564,730)	28,390,186	19,825,456
Dividends	-	-	-	-	(40,000,000)	(40,000,000)
Balance at 31 March 2015 (unaudited)	100,000,000	50,000,000	145,000,000	(22,715,776)	113,345,305	385,629,529
Balance at 1 January 2016 (audited) – as previously stated	100,000,000	50,000,000	145,000,000	(28,580,191)	23,520,269	289,940,078
Restatement (note 24)	-	-	-	-	(20,243,405)	(20,243,405)
Balance at 1 January 2016 (audited) – as restated	100,000,000	50,000,000	145,000,000	(28,580,191)	3,276,864	269,696,673
Profit for the period	-	-	-	-	22,565,056	22,565,056
Other comprehensive income	-	-	-	10,580,014	-	10,580,014
Total comprehensive income for the period	-	-	-	10,580,014	22,565,057	33,145,070
Balance at 31 March 2016 (unaudited)	**100,000,000**	**50,000,000**	**145,000,000**	**(18,000,177)**	**25,841,920**	**302,841,743**

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

Condensed statement of cash flows (unaudited) for the period ended 31 March 2016

	Notes	3 months ended 31 March 2016 AED	2015 AED
Operating activities			
Profit for the period		**22,565,056**	28,390,186
Adjustments for:			
Depreciation of property and equipment		**215,107**	183,742
Amortisation of intangible assets		**317,960**	381,404
Investment income		**(9,306,158)**	(6,511,717)
Gain on disposal of property and equipment		**-**	(23,589)
Net transfer to provision for end of service benefit		**135,892**	(172,089)
Operating cash flows before movements in working capital		**13,927,857**	22,247,937
Increase in reinsurance share of technical provisions		**(71,959,601)**	(1,783,451)
Increase in deferred acquisition costs		**(2,825,646)**	-
Decrease/(increase) in insurance and other receivables		**8,846,506**	(57,525,135)
Decrease/(increase)in prepayments		**56,465**	(109,045)
Increase in gross technical provisions		**41,776,206**	31,717,358
Increase in unearned commission income		**7,326,106**	-
Increase in insurance and other payables		**135,476**	519,571
Net cash used in operating activities		**(2,716,631)**	(4,932,765)
Investing activities			
Movement in bank deposits with original maturities of greater than three months		**(17,447,095)**	(85,103,064)
Interest received		**1,132,495**	607,827
Dividends received	**16**	**4,487,721**	3,340,001
Net rental income on investment properties		**1,108,667**	1,098,516
Proceeds from disposal of property and equipment		**-**	23,950
Payments for property and equipment		**(10,324)**	(174,711)
Payments for intangible assets		**(96,151)**	(241,477)
Payments for purchase of investments at FVTPL		**(15,560,348)**	(44,950,320)
Proceeds from disposal of investments at FVTPL		**15,607,047**	45,055,624
Payment of investment expenses	**16**	**(23,840)**	(112,525)
Net cash used in investing activities		**(10,801,828)**	(80,456,179)
Decrease in cash and cash equivalents		**(13,518,459)**	(85,388,944)
Cash and cash equivalents at the beginning of the period		**45,307,188**	159,704,646
Cash and cash equivalents at the end of period	**19**	**31,788,729**	74,315,702

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

Notes to the condensed financial statements
for the period ended 31 March 2016

1 General information

Al Dhafra Insurance Company P.S.C. (the "Company") is a public shareholding company incorporated in Abu Dhabi by Emiri Decree No. 8 of 1979.

The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 319, Abu Dhabi. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company is engaged in insurance and reinsurance of all classes of business with the exception of endowments and annuities.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these condensed financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.

- Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.

- Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.

- Annual improvements to IFRSs 2012 - 2014 cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

- Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortisation.

- Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in *Joint Operations*.

Notes to the condensed financial statements for the period ended 31 March 2016

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

2.2 New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
2015 Amendments to the IFRS for SMEs	1 January 2017
Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

**Notes to the condensed financial statements
for the period ended 31 March 2016 (continued)**

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

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

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

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

Notes to the condensed financial statements
for the period ended 31 March 2016 (continued)

2 New and revised International Financial reporting Standards (IFRSs) in issue but not yet effective (continued)

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 16 *Leases*	1 January 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 (2014) and IFRS 15, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 (2014) will be adopted in the Company's financial statements for the annual period beginning 1 January 2018. The application of IFRS 15 and IFRS 9 (2014) may have significant impact on amounts reported and disclosures made in the financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

2.3 Standards adopted before effective date

During the year 2009, the Company adopted IFRS 9 *Financial Instruments* (2009) in advance of its effective date. Refer to note 3 the accounting policies regarding financial instruments.

3 Summary of significant accounting policies

3.1 Basis of preparation

The condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 34, "*Interim Financial Reporting*" and also comply with the applicable requirements of the laws in the U.A.E.

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

The condensed financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments and revaluation of investment properties.

The accounting policies and methods used in the preparation of these condensed financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective 1 January 2016 and the change in accounting policy mentioned in note 3.2 below.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies related to investment properties and financial instruments as disclosed in the annual financial statements have been disclosed in paragraph 3.2 to 3.3 below.

3.2 Change in accounting policy

During the period, the Company changed its accounting policy for the calculation of unearned premium reserve, deferred acquisition costs and unearned commission income.

The Company previously computed the unearned premium reserve using fixed percentages of 25% and 40% of gross premiums for marine and non-marine businesses respectively. The Company now defers the unearned premium proportionally over the period of coverage. Also, the Company now recognises deferred acquisition costs and unearned commission income proportionally over the period of coverage in line with the gross premiums. These were previously recognised at the time of payment or receipt.

In accordance with the requirements IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", these new accounting policies have been applied retrospectively in these condensed financial statements as if these policies have always been applied.

3.3 Investment properties

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

3 Summary of significant accounting policies (continued)

3.4 Investment in securities

3.4.1 Investments at amortised cost

Debt instruments are measured at amortised cost if both of the following conditions are met:

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

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see note 3.4.2 below). They are subsequently measured at amortised cost using the effective interest method less any impairment.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.4.2 Investments at fair value through profit and loss (FVTPL)

Debt instrument financial assets that do not meet the amortised cost criteria described in note 3.4.1, or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Company has not designated a debt instrument financial asset as at FVTPL.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from FVTPL to amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition is not permitted.

Investments in equity instruments are mandatorily classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition as described in note 3.4.3 below.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the 'net investment and other income' line item in the profit and loss. Fair value is determined with reference to quoted prices.

3 Summary of significant accounting policies (continued)

3.4 Investment in securities (continued)

3.4.3 Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'income from investments line' item in the condensed statement of profit and loss.

4 Estimates

The preparation of these condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgments made by management in applying the Company's accounting policies, and the key sources of estimates uncertainty were the same as those were applied to the financial statements as at and for the year ended 31 December 2015, except for the change in accounting policy as mentioned in note 3.2.

Notes to the condensed financial statements
for the period ended 31 March 2016 (continued)

5 Investment properties

	Land AED	Abu Dhabi building AED	Al Ain building AED	Total AED
Fair values as at 31 December 2015 (audited) and 31 March 2016 (unaudited)	**52,935,000**	**24,500,000**	**4,565,000**	**82,000,000**

Management has considered recent prices for similar properties in the same location and similar condition and also the prevailing situation of real estate properties in UAE and considered the valuation report from Technical and Loss Adjusting Services LLC, an independent valuer not related to the Company, who have determined the fair values of the land and buildings to be AED 82 million as at 31 December 2014. Technical and Loss Adjusting Services Co. LLC have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach.

Management believes that the net impact due to the changes to the key assumptions used is not material and accordingly there is no change in the fair value of the investment properties as at 31 March 2016. In estimating the fair value of the properties, the highest and best use of the property is considered as their current use. Investment properties as 31 March 2016 and 31 December 2015 have been classified under Level 3 fair value measurement.

The plots of land in Abu Dhabi and Al Ain on which investment properties are constructed were awarded to the Company free of cost by the Executive Council of the Government of Abu Dhabi on 21 June 1981 and 27 August 1983, respectively. The fair values of the plots of land in Abu Dhabi and Al Ain as at 31 March 2016 amounted to AED 45,000,000 and AED 7,935,000, respectively.

The Company occupies three floors of the building for its Head Office in Abu Dhabi with the remaining fourteen floors available for letting to third parties. The Company is utilizing the first and mezzanine floors for housing its Al Ain Branch office with the remaining space available for letting to third parties.

6 Intangible assets

Intangible assets primarily represent the cost of insurance computer system software purchased and additional costs incurred in the upgrading of the existing computer software system. These are amortized over useful lives of 6 years.

7 Investments

7.1 Composition of investments

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Investments at FVTOCI		
Quoted UAE equity securities	**173,982,624**	163,402,610
Investments at FVTPL		
Investment funds	**103,964,380**	101,478,339
Investments at amortised cost		
Investment funds	**6,580,278**	6,580,278

Investment funds included in investments at FVTPL comprise various mutual funds in the UAE. Included in the investment funds at amortised cost, is an investment of US$ 5 million in Arabian Real Estate Investment Trust, which Management has determined to be impaired by AED 11,779,722 as at 31 March 2016 (31 December 2015: AED 11,779,722).

The geographical distribution of investments is as follows:

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Within UAE	**284,527,282**	271,461,227

7.2 Movement in investments

The movement in the investments is as follows:

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Investments at FVTOCI		
Fair value at start of period/year	**163,402,610**	177,392,770
Additions during the period/year	**-**	438,985
Net increase/(decrease) in fair value	**10,580,014**	(14,429,145)
Fair value at end of period/year	**173,982,624**	163,402,610

7 Investments (continued)

7.2 Movement in investments (continued)

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Investments at FVTPL		
Fair value at start of period/year	**101,478,339**	116,066,116
Additions during the period/year	**15,560,348**	86,912,813
Proceeds from disposals during the period/year	**(15,607,047)**	(97,339,145)
Loss on disposal during the period/year (note 16)	**(720,222)**	(2,922,642)
Increase/(decrease) in fair value (note 16)	**3,252,962**	(1,238,803)
Fair value at end of period/year	**103,964,380**	101,478,339
Investments at amortised cost		
Amortised cost at start of period/year	**6,580,278**	3,610,000
Reversal of impairment (note 16)	**-**	2,970,278
Amortised cost at end of period/year	**6,580,278**	6,580,278

8 Statutory deposit

In accordance with the requirements of Federal Law No.6/2007, concerning the formation of Insurance Authority of UAE, the Company maintains a bank deposit of AED 10,000,000 (31 December 2015: AED 10,000,000) which cannot be utilised without the consent of the UAE Insurance Authority.

Notes to the condensed financial statements for the period ended 31 March 2016 (continued)

9 Insurance contract liabilities and reinsurance contract assets

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED restated
Technical provisions – Gross		
Unearned premium reserve (UPR)	**150,234,089**	135,078,293
Claims under settlement reserve (OSLR)	**245,533,149**	220,067,510
Claims incurred but not reported reserve (IBNR)	**47,666,564**	45,267,948
Unallocated loss adjustment expense reserve (ULAE)	**4,638,482**	4,199,541
Unexpired risk reserve (URR)	**6,650,214**	8,333,000
	454,722,498	412,946,292
Reinsurers' share of technical provisions:		
Unearned premium reserve (UPR)	**86,111,418**	48,562,394
Claims under settlement reserve (OSLR)	**119,522,566**	88,892,639
Claims incurred but not reported reserve (IBNR)	**28,386,976**	24,606,326
	234,020,960	162,061,359
Technical provisions – Net		
Unearned premium reserve (UPR)	**64,122,671**	86,515,899
Claims under settlement reserve (OSLR)	**126,010,583**	131,174,871
Claims incurred but not reported reserve (IBNR)	**19,279,588**	20,661,622
Unallocated loss adjustment expense reserve (ULAE)	**4,638,482**	4,199,541
Unexpired risk reserve (URR)	**6,650,214**	8,333,000
	220,701,538	250,884,933

10 Related parties

Related parties comprise the Directors and major Shareholders of the Company and those entities in which they have the ability to control or exercise significant influence in financial and operational decisions. The Company maintains significant balances with these related parties which arise from commercial transactions as follows:

10 Related parties (continued)

	3 months ended 31 March	
	2016	2015
	(unaudited)	(unaudited)
	AED	AED
Premiums written	**5,708,380**	47,895,218
Claims paid	**8,214,438**	1,714,875
Remuneration of key management personnel	**2,337,132**	2,074,117

Balances with related as at the end of the reporting period are as follows:

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Due from related party policyholders (note 11)	**15,333,304**	23,958,684

The remuneration of Directors is paid as an appropriation out of the profits for the year in accordance with the Federal Law No. 8 applicable to Commercial Companies operating in UAE. The remuneration of key management personnel is based on the remuneration agreed in their employment contracts as approved by the Board of Directors.

11 Insurance and other receivables

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Due from external policyholders	**89,911,689**	86,581,157
Due from related party policyholders (note 10)	**15,333,304**	23,958,684
Less: allowance for doubtful debts	**(6,957,479)**	(6,957,479)
Net due from policyholders	**98,287,514**	103,582,362
Due from insurance companies	**6,958,130**	5,686,666
Due from reinsurance companies	**5,334,894**	8,249,543
Interest receivable	**1,986,337**	1,917,962
Other receivables	**1,154,060**	3,062,533
	113,720,935	122,499,066

The average credit period on due from policy holders is 90 to 180 days. No interest is charged and no collateral is taken on insurance and other receivables.

Notes to the condensed financial statements
for the period ended 31 March 2016 (continued)

12 Share capital

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Authorised, issued and fully paid		
100,000,000 ordinary shares of AED 1 each	**100,000,000**	100,000,000

13 Legal reserve

In accordance with the UAE Federal Law Number (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of annual profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

14 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors and approved by the shareholders. This reserve may be used for such purposes as they deem fit.

15 Insurance and other payables

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Due to policy holders	**40,636,705**	75,657,931
Due to insurance companies	**45,336,591**	29,890,016
Due to reinsurance companies	**23,368,566**	17,692,576
Premium reserve withheld	**35,159,519**	24,054,560
Deferred income	**2,049,943**	1,419,332
Other payables	**15,008,814**	12,710,247
	161,560,138	161,424,662

The average credit period is 60 to 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Notes to the condensed financial statements for the period ended 31 March 2016 (continued)

16 Net investment and other income

	3 months ended 31 March	
	2016 (unaudited) AED	2015 (unaudited) AED
Net interest income	**1,200,870**	607,827
Dividend income on investments at FVTOCI	**4,070,818**	3,122,207
Dividend income on investments at FVTPL	**416,903**	217,794
Reversal of impairment of investment in amortised cost (note 7.2)	**-**	2,970,278
Loss on disposal on investments at FVTPL (note 7.2)	**(720,222)**	(1,954,935)
Increase in fair value of investments at FVTPL (note 7.2)	**3,252,962**	562,555
Investment expenses	**(23,840)**	(112,525)
	8,197,491	5,413,201

17 Profit for the period

Profit for the period is stated after charging:

	3 months ended 31 March	
	2016 (unaudited) AED	2015 (unaudited) AED
Staff costs	**5,181,879**	5,657,244
Depreciation of property and equipment	**215,107**	183,742
Amortisation of intangible assets	**317,960**	381,404
Foreign exchange (gain)/loss	**(2,794)**	1,816

Notes to the condensed financial statements
for the period ended 31 March 2016 (continued)

18 Earnings per ordinary share

Earnings per ordinary share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	Three months ended 31 March	
	2016 (unaudited)	2015 (unaudited)
Profit for the period (AED)	**22,565,056**	28,390,186
Weighted average number of ordinary shares in issue throughout the period	**100,000,000**	100,000,000
Basic earnings per share (AED)	**0.23**	0.28

As of 31 March 2016 and 2015, the Company has not issued any instruments that have an impact on earnings per share when exercised.

19 Cash and cash equivalents

	31 March 2016 (unaudited) AED	31 March 2015 (unaudited) AED
Cash on hand	**16,515**	13,315
Call accounts	**31,772,214**	74,302,387
Term deposits	**179,371,051**	146,262,321
Bank balances and cash	**211,159,780**	220,578,023
Less: deposits with original maturities of greater than three months	**(179,371,051)**	(146,262,321)
Cash and cash equivalents	**31,788,729**	74,315,702

The interest rate on fixed deposits and call accounts with banks ranges between 1.01% and 2.75% (2015: 0.55% and 2.75%) per annum. All cash and cash equivalents are held in local banks in the United Arab Emirates.

20 Segment information

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units are managed separately because they require different approach, technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis.

The following summary describes the two main business segments:

- Underwriting of general insurance business – incorporating all classes of general insurance such as fire, marine, motor, medical, general accident and miscellaneous.

- Investments – incorporating investments in marketable equity securities and investment funds, development bonds, term deposits with banks and investment properties and other securities.

20 Segment information (continued)

20.1 Segment revenue and results

Information regarding the Company's reportable segments is presented below:

	As at 31 March 2016 (unaudited)			As at 31 March 2015 (unaudited)		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Direct revenues	**118,946,549**	**6,473,006**	**125,419,555**	156,445,467	6,177,730	162,623,197
Direct costs	**(97,697,901)**	**(419,810)**	**(98,117,711)**	(126,386,684)	(228,568)	(126,615,252)
Administrative expenses	**(6,594,534)**	**-**	**(6,594,534)**	(6,282,564)	-	(6,282,564)
Depreciation expense	**(215,107)**	**-**	**(215,107)**	(183,742)	-	(183,742)
Amortisation expense	**(317,960)**	**-**	**(317,960)**	(381,404)	-	(381,404)
Other expenses	**(940,969)**	**-**	**(940,969)**	(1,456,816)	-	(1,456,816)
Non-cash investment gains	**-**	**3,252,962**	**3,252,962**	-	562,555	562,555
Segment profit	**13,180,078**	**9,306,158**	**22,486,236**	21,754,257	6,511,717	28,265,974
Other income	**-**	**-**	**78,820**	-	-	124,212
Profit for the period	**13,180,078**	**9,306,158**	**22,565,056**	21,754,257	6,511,717	28,390,186

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the nine-month period ended 31 March 2016 and 2015.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3.

20 Segment information (continued)

20.2 Segment assets and liabilities

	As at 31 March 2016 (unaudited)			As at 31 December 2015 (audited) - restated		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Segment assets	**360,418,364**	**555,898,333**	**916,316,697**	261,397,198	525,385,183	786,782,381
Unallocated assets	**-**	**-**	**31,788,729**	-	-	45,307,188
Total assets	**360,418,364**	**555,898,333**	**948,105,426**	261,397,198	525,385,183	832,089,569
Segment liabilities	**636,818,808**	**2,064,283**	**638,883,091**	533,934,892	1,431,672	535,366,564
Unallocated liabilities	**-**	**-**	**6,380,592**	-	-	6,782,927
Total liabilities	**636,818,808**	**2,064,283**	**645,263,683**	533,934,892	1,431,672	542,149,491
Capital expenditure	**106,475**	**-**	**106,475**	1,590,051	-	1,590,051

Notes to the condensed financial statements
for the period ended 31 March 2016 (continued)

21 Seasonality of results

No income of seasonal nature was recorded in the statement of profit or loss for the nine-month period ended 31 March 2016 and 2015.

22 Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable.

- **Level 1** – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3** – fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
31 March 2016 (unaudited)				
Investments at FVTOCI	**173,982,624**	-	-	**173,982,624**
Investments at FVTPL	**25,296,172**	-	**78,668,208**	**103,964,380**
	199,278,796	-	**78,668,208**	**277,947,004**

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2015 (audited)				
Investments at FVTOCI	163,402,610	-	-	163,402,610
Investments at FVTPL	25,009,561	-	76,468,780	101,478,341
	188,412,171	-	76,468,780	264,880,951

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

22 Fair value of financial instruments (continued)

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the period:

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Opening balance	**76,468,780**	88,133,310
Investments purchased during the period/year	**11,009,537**	71,066,134
Investments disposed during the period/year	**(10,603,848)**	(83,947,959)
Net change in fair value	**1,793,739**	1,217,295
Closing balance	**78,668,208**	76,468,780

The Company's management considers that the fair values of financial assets and financial liabilities that are not measured at fair value approximates to their carrying amounts as stated in the condensed financial statements and are classified as level 2 in accordance with the IFRS 13 hierarchy.

23 Contingent liabilities

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Bank guarantees	**14,644,453**	16,994,024

The above bank guarantees were issued in the normal course of business.

24 Restatement of comparative information

In accordance with the requirements of IAS 1 "*Presentation of Financial Statements*" and IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", the below items have been adjusted retrospectively and accordingly balances in the financial statements for the year 2015 have been restated as follows:

(a) During the period, the Company changed its accounting policy for the calculation of the unearned premium reserve (UPR) from using fixed percentages of 25% and 40% for marine and non-marine businesses to the following in line with the requirements of the UAE Insurance Authority:
   i. For the marine cargo line of business, the unearned premium is calculated as 25% of the written premium for the year;
   ii. For the remaining lines of businesses, the premiums were assumed to be earned evenly over time and the unearned premium reserve is calculated linearly using the 365^{th} method.

   During the period, the Company also changed its accounting policy for commission expense/deferred acquisition cost (DAC) on issuance of policies and commission income (UCI) on premium ceded to reinsurers to be in line with the requirements of the UAE Insurance Authority. In prior years, commission expense and commission income were recognised at the time of payment or receipt, which are now being deferred and amortised in the statement of profit or loss over the term of the insurance contract.

   The new methods resulted in an increase of the profit for the year ended 31 December 2015 and the retained earnings at the same date of AED 3,146,082. The above changes in accounting policies had offsetting impact for the three months period ended 31 March 2015 and there was no material effect on the profit and earnings per share for the three months period ended 31 March 2015.

(b) As required by the Board of Directors' Decision Number (25) of 2014 Pertinent to Financial Regulations for Insurance Companies issued by the Insurance Authority, the Company is required to calculate its claims under settlement (outstanding claims) reserve, claims incurred but not reported (IBNR) reserve, unallocated loss adjustment expense (ULAE) reserve and unexpired risk reserve (URR) based on actuary estimates. These provisions were previously calculated based on the in house estimates.

   These new calculations resulted in a decrease amounting to AED 23,389,487 in the profit for the year ended 31 December 2015 and an increase for the same amount in the technical provisions and retained earnings as at 31 December 2015. Management believes that these additional provisions only arose during the fourth quarter of the year and hence, there is no material impact on the profit and earnings per share for the three months period ended 31 March 2015.

For the year ended 31 December 2014, it is impracticable to apply the changes in the accounting policy retrospectively as the effects of the retrospective application are not determinable by Management. Hence, the Company has adjusted the comparative information for the earliest period for which retrospective application is practicable (which is year ended 31 December 2015) to apply the new accounting policies.

Notes to the condensed financial statements for the period ended 31 March 2016 (continued)

24 Restatement of comparative information (continued)

31 December 2015		As previously reported AED	Restatements AED	As restated AED
Statement of financial position				
Re-insurance contract assets	(a),(b)	132,151,992	(132,151,992)	-
Deferred acquisition costs	(a)	-	3,587,740	3,587,740
Reinsurers' share of technical provisions:				
Unearned premium reserve	(a)	-	48,562,394	48,562,394
Claims under settlement reserve	(b)	-	88,892,639	88,892,639
Claims incurred but not reported reserve	(b)	-	24,606,326	24,606,326
Retained earnings	(a),(b)	(23,520,269)	20,243,405	(3,276,864)
Unearned commission income	(a)	-	(13,971,809)	(13,971,809)
Insurance contract liabilities	(a),(b)	(373,177,589)	373,177,589	-
Gross technical provisions:				
Unearned premium reserve	(a)	-	(135,078,293)	(135,078,293)
Claims under settlement reserve	(b)	-	(220,067,510)	(220,067,510)
Claims incurred but not reported reserve	(b)	-	(45,267,948)	(45,267,948)
Unallocated loss adjustment expense reserve	(b)	-	(4,199,541)	(4,199,541)
Unexpired risk reserve	(b)	-	(8,333,000)	(8,333,000)
Statement of profit or loss				
Change in unearned premium	(a)	(5,431,964)	5,212,237	(219,727)
Change in reinsurance portion of unearned premium	(a)	(689,355)	8,317,915	7,628,560
Change in outstanding claims provision	(b)	(86,003,850)	9,697,959	(76,305,891)
Change in reinsurance share of outstanding claims	(b)	14,054,697	(2,494,193)	11,560,504
Change in claims incurred but not reported reserve	(b)	-	(18,060,713)	(18,060,713)
Change in unallocated loss adjustment expense reserve	(b)	-	(4,199,541)	(4,199,541)
Change in unexpired risk reserve	(b)	-	(8,333,000)	(8,333,000)
Change in unearned commission income	(a)	-	(13,971,809)	(13,971,809)
Change in deferred acquisition costs	(a)	-	3,587,740	3,587,740

Further, the financial statements line items in the condensed statement of profit or loss as of 31 March 2016 have been rearranged and reclassified to comply with the disclosure requirements Appendix (1) of Section 7 of the Insurance Authority Board Decision Number (25) of 2014 Pertinent to Financial Regulations for Insurance Companies. This rearrangement and reclassification has no impact on the profit or loss and the cash flows reported for the three months period ended 31 March 2015.

25 Approval of condensed financial statements

These condensed financial statements were approved and authorised for issue by the Board of Directors on 11 May 2016.