AL DHAFRA INSURANCE COMPANY P.S.C.

Review report and interim financial information for the three months period ended 31 March 2017

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The Board of Directors' Report
for the three months period ended 31 March 2017

The Board of Directors takes pleasure in presenting the unaudited results for the three months period ended 31 March 2017.

As noted below, net underwriting income decreased by AED 13,292,724 and profit for the period has decreased by AED 13,665,383 as compared to the same period in the prior year.

Particulars	3 months ended 31 March 2017 (unaudited) AED	3 months ended 31 March 2016 (unaudited) AED
Condensed statement of profit or loss		
Gross written premium	**141,075,897**	103,549,698
Net underwriting income	**7,955,924**	21,248,648
General, administrative and other operating expenses	**8,524,799**	8,068,570
Income from investments and investment properties	**9,359,388**	9,306,158
Profit for the period	**8,899,673**	22,565,056
Basic and diluted earnings per share (AED)	**0.09**	0.23

	31 March 2017 (unaudited) AED	31 December 2016 (audited) AED
Condensed statement of financial position		
Shareholders' equity	**303,429,348**	310,960,478
Total assets	**1,078,375,563**	1,013,906,843

On behalf of the Board of Directors

Chairman
8 May 2017

Deloitte & Touche (M.E.)
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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Al Dhafra Insurance Company P.S.C.
Abu Dhabi
United Arab Emirates

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 2017 and the related condensed statements of profit or loss, profit or loss and other 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.)

Signed by:
Mohammad Khamees Al Tah
Registration No. 717
8 May 2017
Abu Dhabi
United Arab Emirates

Condensed statement of financial position
at 31 March 2017

	Notes	31 March 2017 AED (unaudited)	31 December 2016 AED (audited)
ASSETS			
Property and equipment		938,918	1,052,616
Investment properties	5	82,000,000	82,000,000
Intangible assets		1,787,185	2,075,313
Statutory deposit	6	10,000,000	10,000,000
Deferred acquisition costs		16,020,070	8,825,995
Investments at amortised cost	7	8,002,739	8,002,739
Investments carried at fair value through other comprehensive income (FVTOCI)	7	181,849,420	183,280,223
Investments carried at fair value through profit or loss (FVTPL)	7	93,509,195	93,382,832
Insurance receivables	8	111,964,542	105,546,223
Reinsurers' share of technical provisions	9		
Unearned premium reserve		136,259,278	85,709,080
Claims under settlement reserve		130,961,374	153,355,517
Claims incurred but not reported reserve		49,266,038	44,956,586
Unexpired risk reserve		9,557,092	2,947,416
Other receivables and prepayments		13,512,586	6,938,253
Term deposits	10	211,369,890	195,693,832
Cash and cash equivalents	10	21,377,236	30,140,218
Total assets		1,078,375,563	1,013,906,843
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	100,000,000	100,000,000
Legal reserve	13	50,000,000	50,000,000
General reserve	13	145,000,000	145,000,000
Investment revaluation reserve		(10,552,328)	(9,121,525)
Retained earnings		18,981,676	25,082,003
Total equity		303,429,348	310,960,478
Liabilities			
Provision for employees' end of service benefit		8,020,679	7,998,361
Other payables	14	20,803,689	26,318,602
Insurance liabilities			
Insurance payables	15	198,874,576	166,043,585
Unearned commission income		32,686,673	19,296,732
Gross technical provisions	9		
Unearned premium reserve		200,756,053	146,593,104
Claims under settlement reserve		224,775,361	258,738,492
Claims incurred but not reported reserve		74,245,266	69,457,819
Unallocated loss adjustment expense		5,226,826	5,552,254
Unexpired risk reserve		9,557,092	2,947,416
Total liabilities		774,946,215	702,946,365
Total equity and liabilities		1,078,375,563	1,013,906,843

For [signature]

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

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

Condensed statement of profit or loss for the three months period ended 31 March 2017

	Notes	3 months ended 31 March 2017 AED (unaudited)	2016 AED (unaudited)
Gross written premium		**141,075,897**	103,549,698
Reinsurance premium ceded		**(99,500,677)**	(67,602,894)
Reinsurance share of ceded business premium		**(1,470,230)**	(3,263,425)
Net premium		**40,104,990**	32,683,379
Net transfer to unearned premium reserve		**(3,612,751)**	22,393,228
Net premium earned		**36,492,239**	55,076,607
Gross commission earned		**23,279,461**	15,396,851
Less: commission incurred		**(13,221,256)**	(6,153,105)
Change in unearned commission income		**(13,389,941)**	(7,326,106)
Change in deferred acquisition costs		**7,194,075**	2,825,646
Gross underwriting income		**40,354,578**	59,819,893
Gross claims incurred		**(90,875,310)**	(62,267,493)
Reinsurance share of insurance claims		**45,309,125**	12,074,122
Reinsurance share of ceded business claims		**1,751,110**	3,831,959
Net claims paid		**(43,815,075)**	(46,361,412)
Change in provision for outstanding claims		**33,963,131**	(25,465,639)
Change in reinsurance share for outstanding claims		**(22,394,143)**	30,629,927
Change in claims incurred but not reported reserve		**(477,995)**	1,382,034
Change in unallocated loss adjustment expense		**325,428**	(438,941)
Change in unexpired risk reserve		**-**	1,682,786
Net claims incurred		**(32,398,654)**	(38,571,245)
Net underwriting income		**7,955,924**	21,248,648
Income from investments	16	**8,674,540**	8,197,491
Income from investment properties		**684,848**	1,108,667
Other income, net		**109,160**	78,820
Total income		**17,424,472**	30,633,626
General and administrative expenses		**(7,098,039)**	(6,594,534)
Other operating expenses		**(1,426,760)**	(1,474,036)
Profit for the period	17	**8,899,673**	22,565,056
Basic and diluted earnings per ordinary share	18	**0.09**	0.23

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

Condensed statement of profit or loss and other comprehensive income for the three months period ended 31 March 2017

	Note	3 months ended 31 March	
		2017	2016
		AED	AED
		(unaudited)	(unaudited)
Profit for the period		**8,899,673**	22,565,056
Other comprehensive income:			
Items not to be reclassified to profit or loss in subsequent period:			
Net fair value (loss)/gain on investments at FVTOCI	7	**(1,430,803)**	10,580,014
Total other comprehensive (loss)/income for the period		**(1,430,803)**	10,580,014
Total comprehensive income for the period		**7,468,870**	33,145,070

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

Condensed statement of changes in equity
for the three months period ended 31 March 2017

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
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**
Balance at 1 January 2017 (audited)	100,000,000	50,000,000	145,000,000	(9,121,525)	25,082,003	310,960,478
Profit for the period	-	-	-	-	8,899,673	8,899,673
Other comprehensive loss	-	-	-	(1,430,803)	-	(1,430,803)
Total comprehensive (loss)/income for the period	-	-	-	(1,430,803)	8,899,676	(7,468,870)
Dividend distribution (note 23)	-	-	-	-	(15,000,000)	(15,000,000)
Balance at 31 March 2017 (unaudited)	**100,000,000**	**50,000,000**	**145,000,000**	**(10,552,328)**	**18,981,676**	**303,429,348**

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

Condensed statement of cash flows
for the three months period ended 31 March 2017

	Notes	3 months ended 31 March 2017 AED	2016 AED
Operating activities			
Profit for the period		**8,899,673**	22,565,056
Adjustments for:			
Depreciation of property and equipment		**153,348**	215,107
Amortisation of intangible assets		**333,369**	317,960
Income from investments		**(8,674,540)**	(8,197,491)
Income from investment properties		**(684,848)**	(1,108,667)
Reversal for impairment on insurance receivables		**(7,838)**	-
Net transfer to provision for end of service benefit		**22,318**	135,892
Operating cash flows before movements in working capital		**41,482**	13,927,857
Increase in reinsurance share of technical provisions		**(39,075,183)**	(71,959,601)
Increase in deferred acquisition costs		**(7,194,075)**	(2,825,646)
(Increase)/decrease in insurance receivable		**(6,410,481)**	8,846,506
(Increase)/decrease in other receivables and prepayments		**(6,394,558)**	56,465
Increase in gross technical provisions		**31,271,513**	41,776,206
Increase in unearned commission income		**13,389,941**	7,326,106
Increase in insurance and other payables		**27,316,078**	135,476
Net cash from/(used in) operating activities		**12,944,717**	(2,716,631)
Investing activities			
Movement in bank deposits with original maturities of greater than three months		**(15,676,058)**	(17,447,095)
Interest received		**1,290,245**	1,132,495
Dividends received	16	**7,225,867**	4,487,721
Net rental income on investment properties		**684,848**	1,108,667
Payments for property and equipment		**(39,650)**	(10,324)
Payments for intangible assets		**(45,241)**	(96,151)
Payments for purchase of investments at FVTPL		**(15,641,743)**	(15,560,348)
Proceeds from disposal of investments at FVTPL		**15,723,367**	15,607,047
Payment of investment expenses	16	**(229,334)**	(23,840)
Net cash used in investing activities		**(6,707,699)**	(10,801,828)
Financing activities			
Dividend distribution	23	**(15,000,000)**	-
Decrease in cash and cash equivalents		**(8,762,982)**	(13,518,459)
Cash and cash equivalents at the beginning of the period		**30,140,218**	45,307,188
Cash and cash equivalents at the end of period	10	**21,377,236**	31,788,729

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

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)

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these condensed financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses

- 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

- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

3 Summary of significant accounting policies

3.1 Basis of preparation

These 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. They do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2016. In addition, results for three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

These condensed financial statements are presented in U.A.E. Dirham ("AED") which is functional and presentation currency of the Company.

These condensed financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period.

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 2016 except for the adoption of new standards and interpretations effective 1 January 2017.

3 Summary of significant accounting policies (continued)

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 Investment properties

Investment property is the property held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Company's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

If an investment property becomes owner occupied, it is reclassified under property and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. When an item of property and equipment is transferred to investment property following a change in use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity if it is a gain and charged to profit or loss if it is a loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.3 Investment in securities

3.3.1 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. 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 Summary of significant accounting policies (continued)

3.3 Investment in securities (continued)

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

Debt instrument financial assets that do not meet the amortised cost criteria described in note 3.3.1, 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 3.3.3 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.

3.3.3 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 Significant accounting judgments and key sources of estimation uncertainty

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 2016.

5 Investment properties

	Abu Dhabi land and building AED	Al Ain land and building AED	Total AED
Fair value as at 31 March 2017 (unaudited) and 31 December 2016 (audited)	**69,500,000**	**12,500,000**	**82,000,000**

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 Company assesses the fair value of investment property annually and engaged external experts to estimate the fair values as at 31 December 2016. The Company assessed that those fair values have not significantly changed as at the reporting date.

The valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair values were determined based on the capitalisation of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on the valuer' knowledge of the factors specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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. For Al Ain Building, 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.

Details of the Company's investment properties and information about the fair value hierarchy as at the reporting date are as follows:

	Level 1 AED	Level 2 AED	Level 3 AED
31 March 2017 (unaudited) and 31 December 2016 (audited)			
Investment properties in the UAE	-	-	**82,000,000**

There were no transfers between Level 1 and 2 or to level 3 during current and previous year.

6 Statutory deposit

In accordance with the requirements of Federal Law No.6/2007, concerning the formation of the U.A.E. Insurance Authority, the Company maintains a bank deposit of AED 10,000,000 (31 December 2016: AED 10,000,000) which cannot be utilised without the consent of the U.A.E. Insurance Authority.

7 Investments

7.1 Composition of investments

	31 March 2017 AED (unaudited)	31 December 2016 AED (audited)
Investments carried at FVTOCI		
Quoted UAE equity securities	**181,849,420**	183,280,223
Investments carried at FVTPL		
Quoted UAE equity securities	**26,964,016**	27,558,408
Quoted debt securities	**66,545,179**	65,824,424
	93,509,195	93,382,832
Investments at amortised cost	**8,002,739**	8,002,739

7.2 Movement in investments

The movement in the investments is as follows:

	31 March 2017 AED (unaudited)	31 December 2016 AED (audited)
Investments at FVTOCI		
Fair value at start of period/year	**183,280,223**	163,402,610
Additions during the period/year	**-**	418,947
Net (decrease)/increase in fair value	**(1,430,803)**	19,458,666
Fair value at end of the period/year	**181,849,420**	183,280,223

Notes to the condensed financial statements
for the three months period ended 31 March 2017 (continued)

7 Investments (continued)

7.2 Movement in investments (continued)

	31 March 2017 AED (unaudited)	31 December 2016 AED (audited)
Investments carried at FVTPL		
Fair value at start of period/year	**93,382,832**	101,478,339
Additions during the period/year	**15,641,743**	64,952,722
Proceeds from disposals during the period/year	**(15,723,367)**	(77,428,501)
Loss on disposal during the period/year (note 16)	**(190,587)**	(3,787,570)
Increase in fair value (note 16)	**398,574**	8,167,842
Fair value at end of the period/year	**93,509,195**	93,382,832
Investment at amortised cost		
Amortised cost at start of period/year	**8,002,739**	6,580,278
Reversal of impairment	**-**	1,422,461
Amortised cost at end of the period/year	**8,002,739**	8,002,739

8 Insurance receivables

	31 March 2017 AED (unaudited)	31 December 2016 AED (audited)
Due from external policyholders	**105,577,043**	99,480,054
Due from related party policyholders (note 11)	**690,088**	479,288
Less: allowance for doubtful debts	**(7,626,302)**	(7,634,140)
Net due from policyholders	**98,640,829**	92,325,202
Due from insurance companies	**8,454,752**	6,883,326
Due from reinsurance companies	**4,868,961**	6,337,695
	111,964,542	105,546,223

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 receivables.

Notes to the condensed financial statements
for the three months period ended 31 March 2017 (continued)

8 Insurance receivables (continued)

Movement in the allowance for doubtful debts:

	31 March 2017 AED (unaudited)	31 December 2016 AED (audited)
Balance at beginning of the period/year	**7,634,139**	6,957,479
Charge for the period/year	**-**	676,660
Amounts reversed	**(7,837)**	-
Balance at end of the period/year	**7,626,302**	7,634,139

9 Insurance contract liabilities and reinsurance contract assets

	31 March 2017 AED (unaudited)	31 December 2016 AED (unaudited)
Technical provisions – Gross		
Unearned premium reserve (UPR)	**200,756,053**	146,593,104
Claims under settlement reserve (OSLR)	**224,775,361**	258,738,492
Claims incurred but not reported reserve (IBNR)	**74,245,266**	69,457,819
Unallocated loss adjustment expense reserve (ULAE)	**5,226,826**	5,552,254
Unexpired risk reserve (URR)	**9,557,092**	2,947,416
	514,560,598	483,289,085
Reinsurers' share of technical provisions		
Unearned premium reserve (UPR)	**136,259,278**	85,709,080
Claims under settlement reserve (OSLR)	**130,961,374**	153,355,517
Claims incurred but not reported reserve (IBNR)	**49,266,038**	44,956,586
Unexpired risk reserve (URR)	**9,557,092**	2,947,416
	326,043,782	286,968,599
Technical provisions – Net		
Unearned premium reserve (UPR)	**64,496,775**	60,884,024
Claims under settlement reserve (OSLR)	**93,813,987**	105,382,975
Claims incurred but not reported reserve (IBNR)	**24,979,228**	24,501,233
Unallocated loss adjustment expense reserve (ULAE)	**5,226,826**	5,552,254
	188,516,816	196,320,486

Notes to the condensed financial statements
for the three months period ended 31 March 2017 (continued)

10 Cash and cash equivalents

	31 March 2017 AED (unaudited)	31 March 2016 AED (unaudited)
Cash on hand	**14,383**	16,515
Call accounts	**21,362,853**	31,772,214
Term deposits	**211,369,890**	179,371,051
Bank balances and cash	**232,747,126**	211,159,780
Less: deposits with original maturities of greater than three months	**(211,369,890)**	(179,371,051)
Cash and cash equivalents	**21,377,236**	31,788,729

The interest rate on term deposits and call accounts with banks ranges between 0.55% and 2.75% (31 December 2016: 0.66% and 3.00%) per annum. All cash and cash equivalents are held in local banks in the United Arab Emirates.

11 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 balances with these related parties which arise from commercial transactions:

The following balances were outstanding at the end of the reporting period:

	Nature of relationship	31 March 2017 AED (unaudited)	31 December 2016 AED (audited)
Due from related party policyholders (note 8)	Affiliates	**690,088**	479,288
Due to related party policyholders (note 15)	Affiliates	**49,407**	16,427

11 Related parties (continued)

Transactions with related parties during the period are as follows:

	Nature of relationship	3 months ended 31 March	
		2017	2016
		AED	AED
		(unaudited)	(unaudited)
Premiums written	Affiliates	**598,515**	5,708,380
Claims paid	Affiliates	**56,304**	8,214,438

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Remuneration of key management personnel:

	3 months ended 31 March	
	2017	2016
	AED	AED
	(unaudited)	(unaudited)
Short term benefits	**536,649**	536,649
Post-employment benefits	**27,020**	27,320
	563,669	563,969

The remuneration of key management personnel is based on the remuneration agreed in their employment contracts as approved by the Board of Directors.

12 Share capital

	31 March 2017	31 December 2016
	AED	AED
	(unaudited)	(audited)
Authorised, issued and fully paid		
100,000,000 ordinary shares of AED 1 each	**100,000,000**	100,000,000

13 Reserves

Legal reserve

In accordance with the U.A.E. 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.

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.

14 Other payables

	31 March 2017 AED (unaudited)	31 December 2016 AED (audited)
Dividend payable	**6,050,344**	6,380,592
Fee payable to insurance authority	**2,126,575**	1,484,165
Deferred income	**1,669,157**	1,512,608
Remuneration of the Directors	**-**	2,000,000
Other payables	**10,957,613**	14,941,237
	20,803,689	26,318,602

15 Insurance payables

	31 March 2017 AED (unaudited)	31 December 2016 AED (audited)
Due to policyholders	**61,684,427**	36,764,970
Due to insurance companies	**47,689,723**	40,640,361
Due to reinsurance companies	**23,369,464**	31,174,892
Due to related party policyholders	**49,407**	16,427
Premium reserve withheld	**66,081,555**	57,446,935
	198,874,576	166,043,585

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 three months period ended 31 March 2017 (continued)

16 Income from investments

	3 months ended 31 March	
	2017	2016
	AED	AED
	(unaudited)	(unaudited)
Dividend income on investments at FVTOCI	**6,959,081**	4,070,818
Net interest income	**1,470,020**	1,200,870
Increase in fair value of investments at FVTPL (note 7.2)	**398,574**	3,252,962
Dividend income on investments at FVTPL	**266,786**	416,903
Loss on disposal on investments at FVTPL (note 7.2)	**(190,587)**	(720,222)
Investment expenses	**(229,334)**	(23,840)
	8,674,540	8,197,491

17 Profit for the period

Profit for the period is stated after charging:

	3 months ended 31 March	
	2017	2016
	AED	AED
	(unaudited)	(unaudited)
Staff costs	**5,553,873**	5,181,879
Depreciation of property and equipment	**153,348**	215,107
Amortisation of intangible assets	**333,369**	317,960
Foreign exchange gain	**(14,203)**	(2,794)

Notes to the condensed financial statements
for the three months period ended 31 March 2017 (continued)

18 Earnings per share

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

	3 months ended 31 March	
	2017	2016
	(unaudited)	(unaudited)
Profit for the period (AED)	**8,899,673**	22,565,056
Weighted average number of ordinary shares in issue throughout the period	**100,000,000**	100,000,000
Basic and diluted earnings per share (AED)	**0.09**	0.23

As of 31 March 2017 and 2016, the Company has not issued any instruments that have an impact on earnings per share when exercised.

19 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.

19 Segment information (continued)

19.1 Segment revenue and results

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

	As at 31 March 2017 (unaudited)			As at 31 March 2016 (unaudited)		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Revenues	**164,355,358**	**9,693,780**	**174,049,138**	118,946,549	6,473,006	125,419,555
Direct costs	**(156,399,434)**	**(732,966)**	**(157,132,400)**	(97,697,901)	(419,810)	(98,117,711)
Administrative expenses	**(7,098,039)**	-	**(7,098,039)**	(6,594,534)	-	(6,594,534)
Depreciation expense	**(153,348)**	-	**(153,348)**	(215,107)	-	(215,107)
Amortisation expense	**(333,369)**	-	**(333,369)**	(317,960)	-	(317,960)
Other expenses	**(940,043)**	-	**(940,043)**	(940,969)	-	(940,969)
Non-cash investment gains	-	**398,574**	**398,574**	-	3,252,962	3,252,962
Segment profit	**(568,875)**	**9,359,388**	**8,790,513**	13,180,078	9,306,158	22,486,236
Other income	-	-	**109,160**	-	-	78,820
Profit/(loss) for the period	**(568,875)**	**9,359,388**	**8,899,673**	13,180,078	9,306,158	22,565,056

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the three months period ended 31 March 2017 and 2016.

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

19 Segment information (continued)

19.2 Segment assets and liabilities

	As at 31 March 2017 (unaudited)			As at 31 December 2016 (audited)		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Segment assets	**470,267,083**	**586,731,244**	**1,056,998,327**	411,406,999	572,359,626	983,766,625
Unallocated assets	**-**	**-**	**21,377,236**	-	-	30,140,218
Total assets	**470,267,083**	**586,731,244**	**1,078,375,563**	411,406,999	572,359,626	1,013,906,843
Segment liabilities	**767,139,809**	**1,756,062**	**768,895,871**	692,960,263	1,605,510	694,565,773
Unallocated liabilities	**-**	**-**	**6,050,344**	-	-	8,380,592
Total liabilities	**767,139,809**	**1,756,062**	**774,946,215**	692,960,263	1,605,510	702,946,365
Capital expenditure	**84,891**	**-**	**84,891**	106,475	-	106,475

20 Seasonality of results

No income of seasonal nature was recorded in profit or loss for the three months period ended 31 March 2017 and 2016.

21 Fair value of financial instruments

Some of the Company's financial assets are measured at fair value at the end of each reporting period. 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).

	Fair value as at			
Financial assets	**31 March 2017 AED (unaudited)**	31 December 2016 AED (audited)	**Fair value hierarchy**	**Valuation technique**
Investments at FVTOCI – Quoted equity investments	**181,849,420**	183,280,223	Level 1	Quoted bid prices in an active market
Investments at FVTPL – Quoted equity investments	**26,964,016**	27,558,408	Level 1	Quoted bid prices in an active market
Investments at FVTPL – Quoted debt securities	**66,545,179**	65,824,424	Level 1	Quoted bid prices in an active market

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.

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 statement of financial position.

Notes to the condensed financial statements
for the three months period ended 31 March 2017 (continued)

22 Contingent liabilities

(a) Guarantees

	31 March 2017 AED (unaudited)	31 December 2016 AED (audited)
Bank guarantees	**16,318,922**	16,232,922

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

Bank guarantees include AED 10 million (31 December 2016: AED 10 million) in respect of a bank guarantee issued on behalf of the Company to the Insurance Authority of U.A.E. in accordance with the requirements of Federal Law No.6/2007, concerning the formation of the U.A.E. Insurance Authority.

(b) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

23 Dividend distribution

Dividends, amounting to AED 15,000,000 for the year ended 31 December 2016, were approved by the Shareholders at the Annual General Meeting held on 21 March 2017.

24 Approval of condensed financial statements

These condensed financial statements were approved and authorised for issue by the Board of Directors on 8 May 2017.