AL DHAFRA INSURANCE COMPANY P.S.C.

Review report and interim financial information for the three months period ended 31 March 2018

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The Board of Directors' Report
for the three months period ended 31 March 2018

The Board of Directors takes pleasure in presenting the unaudited results for the three months period ended 31 March 2018.

As noted below, net underwriting income increased by AED 15,605,226 and profit for the period has increased by AED 7,301,349 as compared to the same period in the prior year.

Particulars	**3 months ended 31 March**	
	2018 (unaudited) AED	2017 (unaudited) AED
Condensed statement of profit or loss		
Gross written premium	**98,772,082**	141,075,897
Net underwriting income	**23,561,150**	7,955,924
General, administrative and other operating expenses	**18,351,946**	8,524,799
Income from investments and investment properties	**9,861,414**	9,359,388
Profit for the period	**16,201,022**	8,899,673
Basic and diluted earnings per share (AED)	**0.16**	0.09

	31 March 2018 (unaudited) AED	31 December 2017 (audited) AED
Condensed statement of financial position		
Shareholders' equity	**315,676,570**	341,882,052
Total assets	**1,000,932,481**	1,065,087,813

On behalf of the Board of Directors

Chairman
13 May 2018

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 2018 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
13 May 2018
Abu Dhabi
United Arab Emirates

Condensed statement of financial position
at 31 March 2018

	Notes	31 March 2018 AED (unaudited)	31 December 2017 AED (audited)
ASSETS			
Property and equipment		726,952	820,042
Investment properties	5	81,600,000	81,600,000
Intangible assets		1,182,501	1,369,193
Statutory deposit	6	9,980,000	10,000,000
Deferred acquisition costs		20,221,189	21,608,489
Investments at amortised cost	7	8,002,739	8,002,739
Investments carried at fair value through other comprehensive income (FVTOCI)	7	175,011,713	177,652,331
Investments carried at fair value through profit or loss (FVTPL)	7	85,255,738	92,469,307
Insurance receivables	8	98,578,706	99,511,923
Reinsurers' share of technical provisions	9		
Unearned premium reserve		122,684,809	123,738,416
Claims under settlement reserve		119,995,339	132,706,318
Claims incurred but not reported reserve		44,533,155	55,237,187
Other receivables and prepayments		14,954,286	6,803,270
Term deposits	10	195,721,352	239,575,886
Cash and cash equivalents	10	22,484,002	13,992,712
Total assets		1,000,932,481	1,065,087,813
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		(17,390,035)	(14,749,417)
Retained earnings		38,066,605	61,631,469
Total equity		315,676,570	341,882,052
Liabilities			
Provision for employees' end of service benefit		7,217,148	7,101,840
Other payables	14	21,727,796	22,297,532
Insurance liabilities			
Insurance payables	15	187,764,862	197,364,274
Unearned commission income		31,891,645	28,869,688
Gross technical provisions	9		
Unearned premium reserve		182,607,150	179,867,116
Claims under settlement reserve		178,363,536	198,669,217
Claims incurred but not reported reserve		71,033,528	83,690,344
Unallocated loss adjustment expense		4,650,246	5,291,886
Unexpired risk reserve		-	53,864
Total liabilities		685,255,911	723,205,761
Total equity and liabilities		1,000,932,481	1,065,087,813

Assistant General Manager - Finance **General Manager** **Chairman**

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 2018

	Notes	3 months ended 31 March 2018 AED (unaudited)	2017 AED (unaudited)
Gross written premium		**98,772,082**	141,075,897
Reinsurance premium ceded		**(69,390,806)**	(99,500,677)
Reinsurance share of ceded business premium		**(659,520)**	(1,470,230)
Net premium		**28,721,756**	40,104,990
Net transfer to unearned premium reserve		**(3,793,641)**	(3,612,751)
Net premium earned		**24,928,115**	36,492,239
Gross commission earned		**17,518,963**	23,279,461
Less: commission incurred		**(9,849,102)**	(13,221,256)
Change in unearned commission income		**(3,021,957)**	(13,389,941)
Change in deferred acquisition costs		**(1,387,300)**	7,194,075
Gross underwriting income		**28,188,719**	40,354,578
Gross claims incurred		**(58,490,776)**	(90,875,310)
Reinsurance share of insurance claims		**39,347,549**	45,309,125
Reinsurance share of ceded business claims		**4,272,668**	1,751,110
Net claims paid		**(14,870,559)**	(43,815,075)
Change in provision for outstanding claims		**20,305,681**	33,963,131
Change in reinsurance share for outstanding claims		**(12,710,979)**	(22,394,143)
Change in claims incurred but not reported reserve		**1,952,784**	(477,995)
Change in unallocated loss adjustment expense		**641,640**	325,428
Change in unexpired risk reserve		**53,864**	-
Net claims incurred		**(4,627,569)**	(32,398,654)
Net underwriting income		**23,561,150**	7,955,924
Income from investments	16	**9,055,480**	8,674,540
Income from investment properties		**805,887**	684,848
Other income, net		**1,130,451**	109,160
Total income		**34,552,968**	17,424,472
General and administrative expenses		**(9,037,644)**	(7,098,039)
Other operating expenses		**(9,314,302)**	(1,426,760)
Profit for the period	17	**16,201,022**	8,899,673
Basic and diluted earnings per ordinary share	18	**0.16**	0.09

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 2018

	Note	3 months ended 31 March 2018 AED (unaudited)	2017 AED (unaudited)
Profit for the period		**16,201,022**	8,899,673
Other comprehensive income:			
Items not to be reclassified to profit or loss in subsequent period:			
Movement in investment revaluation reserve for equity investments at FVTOCI	7	**(2,640,618)**	(1,430,803)
Total other comprehensive loss for the period		**(2,640,618)**	(1,430,803)
Total comprehensive income for the period		**13,560,404**	7,468,870

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 2018

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
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)	8,899,673	(7,468,870)
Dividend distribution	-	-	-	-	(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**
Balance at 1 January 2018 (audited)	100,000,000	50,000,000	145,000,000	(14,749,417)	61,631,469	341,882,052
Effect of adoption of IFRS 9	-	-	-	-	(4,765,886)	(4,765,886)
Balance at 1 January 2018 (as restated)	100,000,000	50,000,000	145,000,000	(14,749,417)	56,865,583	337,116,166
Profit for the period	-	-	-	-	16,201,022	16,201,022
Other comprehensive loss	-	-	-	(2,640,618)	-	(2,640,618)
Total comprehensive (loss)/income for the period	-	-	-	(2,640,618)	16,201,022	13,560,404
Dividend distribution (note 23)	-	-	-	-	(35,000,000)	(35,000,000)
Balance at 31 March 2018 (unaudited)	**100,000,000**	**50,000,000**	**145,000,000**	**(17,390,035)**	**38,066,605**	**315,676,570**

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 2018

	Notes	3 months ended 31 March 2018 AED	2017 AED
Operating activities			
Profit for the period		**16,201,022**	8,899,673
Adjustments for:			
Depreciation of property and equipment		**119,139**	153,348
Amortisation of intangible assets		**200,092**	333,369
Income from investments		**(9,055,480)**	(8,674,540)
Income from investment properties		**(805,887)**	(684,848)
Reversal for impairment on insurance receivables		**(995,663)**	(7,838)
Allowance for impairment on insurance receivables		**9,560,783**	-
Net transfer to provision for end of service benefit		**115,308**	22,318
Operating cash flows before movements in working capital		**15,339,314**	41,482
Decrease/(increase) in reinsurance share of technical provisions		**24,468,618**	(39,075,183)
Decrease/(increase) in deferred acquisition costs		**1,387,300**	(7,194,075)
Increase in insurance receivable		**(11,985,569)**	(6,410,481)
Increase in other receivables and prepayments		**(8,151,016)**	(6,394,558)
(Decrease)/increase in gross technical provisions		**(30,917,967)**	31,271,513
Increase in unearned commission income		**3,021,957**	13,389,941
(Decrease)/increase in insurance and other payables		**(10,169,148)**	27,316,078
Net cash (used in)/ generated from operating activities		**(17,006,511)**	12,944,717
Investing activities			
Movement in bank deposits with original maturities of greater than three months		**43,462,314**	(15,676,058)
Interest received		**1,942,319**	1,290,245
Dividends received	16	**10,134,134**	7,225,867
Net rental income on investment properties		**805,887**	684,848
Payments for property and equipment		**(26,049)**	(39,650)
Payments for intangible assets		**(13,400)**	(45,241)
Payments for purchase of investments at FVTPL		**(13,344,831)**	(15,641,743)
Proceeds from disposal of investments at FVTPL		**17,662,494**	15,723,367
Payment of investment expenses	16	**(125,067)**	(229,334)
Net cash generated from/(used in) investing activities		**60,497,801**	(6,707,699)
Financing activities			
Dividend distribution	23	**(35,000,000)**	(15,000,000)
Increase/(decrease) in cash and cash equivalents		**8,491,290**	(8,762,982)
Cash and cash equivalents at the beginning of the period		**13,992,712**	30,140,218
Cash and cash equivalents at the end of period	10	**22,484,002**	21,377,236
Non-cash transaction:			
Effect of adoption of IFRS 9 – impairment of financial assets (note 2.1)		**(4,765,886)**	-

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

Notes to the condensed financial statements
for the three months period ended 31 March 2018

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 2018, have been adopted in these financial statements.

The Company applies, for the first time, IFRS 9 *Financial Instruments* (2014) that is required to be applied retrospectively with adjustment to made in the opening balance of equity. As required by IAS 34, the nature and effect of these changes are disclosed in note 2.1 of the interim condensed financial statements.

In the current period, the Company has also applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Company's future transactions or arrangements.

- Conceptual Framework for Financial Reporting 2018
- IFRS 15 *Revenue from Contracts with Customers*
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* deleting short-term exemptions for first-time adopters
- Amendments to IFRS 2 Amendments to IFRS 2 *Share-based Payment Transactions* clarifying the classification and measurement of share-based payment transactions
- Amendments to IFRS 4 *Insurance Contracts* applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*
- Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS 9
- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception
- Amendments to IAS 40 *Investment properties* clarifying transfers or property to, or from, investment property
- Annual Improvements to IFRSs 2014–2016 Cycle to remove short-term exemptions and clarifying certain fair value measurements
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* providing clarification on measuring investees at fair value through profit or loss is an investment-by-investment choice

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2018.

Notes to the condensed financial statements
for the three months period ended 31 March 2018

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

2.1 Change in significant accounting policy

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January, 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognised in the condensed interim financial information. As permitted by transitional provisions of IFRS 9, the Company elected not to restate the comparative figures. Any adjustments to carrying amount of financial assets and liabilities at the date of transitions were recognized in opening retained earnings of the current period. The adoption of IFRS 9 (2014) has resulted in changes in the accounting policies for impairment of financial assets.

Impairment
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss model (ECLs). The Company recognises loss allowances for expected credit losses on financial instruments that are not measured at FVTPL, namely, its cash and bank balances and deposits and insurance receivables. No impairment loss is recognised on equity investments.

Loss allowances for expected credit losses are recognised for financial assets measured at amortised cost. Expected lifetime credit losses for insurance receivables are recognised using the simplified approach. This is based on loss rates calculated from historical data, taking into account the business model, the respective customer and the economic environment. Forward-looking information is also taken into account if, based on past experience, such indicators show a substantive correlation with actual credit losses. Receivables that are overdue by a significant amount of time – in some cases exceeding 90 days due to the customer structure – and receivables from debtors with financial difficulties are tested individually for impairment. Expected credit losses for other financial assets are determined upon their first-time recognition primarily on the basis of the credit status of the counterparty. In the event of a significant increase in default risk, expected lifetime credit losses are taken into account.

The impact from the adoption of IFRS 9 on the retained earnings as at 1 January 2018 is as follows:

	AED
Closing balance under IAS 39 - 31 December 2017 (audited)	61,631,469
Less: impact on recognition of Expected Credit Losses	
Cash and bank balances and deposits	(412,220)
Insurance receivables	(4,353,666)
Opening balance under IFRS 9 - 1 January 2018 (unaudited)	56,865,583

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

	AED
Closing allowances under IAS 39 - 31 December 2017	7,634,139
Add: impact on recognition of Expected Credit Losses	
Cash and bank balances and deposits	412,220
Insurance receivables	4,353,666
Opening allowances under IFRS 9 - 1 January 2018	12,400,025

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 2017. In addition, results for three months period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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 2017 except for the adoption of new standards and interpretations effective 1 January 2018.

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.

3.3.2 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.

Notes to the condensed financial statements for the three months period ended 31 March 2018 (continued)

3.3 Investment in securities (continued)

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

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 2017.

5 Investment properties

	Abu Dhabi land and building AED	Al Ain land and building AED	Total AED
Fair value as at 31 March 2018 (unaudited) and 31 December 2017 (audited)	**67,750,000**	**13,850,000**	**81,600,000**

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 fair value of the investment properties as of 31 December 2017 has been arrived at on the basis of independent valuations carried out by valuers that are not related to the Company. The valuers are members of the Royal Institute of Surveyors, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. Management believes that there is no major change in the key assumptions used in the valuations performed as at 31 December 2017 and accordingly, there is no material change in the fair value of the investment properties as at 31 March 2018 compared to 31 December 2017.

The fair values were determined based on the capitalization 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 neighborhood.

Notes to the condensed financial statements
for the three months period ended 31 March 2018 (continued)

5 Investment properties (continued)

The capitalization 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.

All investment properties are classified as Level 3 investments.

6 Statutory deposit

In accordance with the requirements of Federal Law No.6/2007, concerning the formation of Insurance Authority of UAE, the Company maintains the below deposit which cannot be utilized without the consent of the UAE Insurance Authority.

	31 March 2018 AED (unaudited)	31 March 2017 AED (unaudited)
Statutory deposit	**10,000,000**	10,000,000
Expected credit losses (note 2)	**(20,000)**	-
	9,980,000	10,000,000

7 Investments

7.1 Composition of investments

	31 March 2018 AED (unaudited)	31 December 2017 AED (audited)
Investments carried at FVTOCI		
Quoted UAE equity securities	**175,011,713**	177,652,331
Investments carried at FVTPL		
Quoted UAE equity securities	**24,700,451**	26,784,369
Quoted debt securities	**60,555,287**	65,684,938
	85,255,738	92,469,307
Investments at amortised cost	**8,002,739**	8,002,739

7 Investments (continued)

7.2 Movement in investments

The movement in the investments is as follows:

	31 March 2018 AED (unaudited)	31 December 2017 AED (audited)
Investments at FVTOCI		
Fair value at start of period/year	**177,652,331**	183,280,223
Net decrease in fair value	**(2,640,618)**	(5,627,892)
Fair value at end of the period/year	**175,011,713**	177,652,331
Investments carried at FVTPL		
Fair value at start of period/year	**92,469,307**	93,382,832
Additions during the period/year	**13,344,831**	38,888,263
Proceeds from disposals during the period/year	**(17,662,494)**	(38,905,331)
Profit/(loss) on disposal during the period/year (note 16)	**90,375**	(253,811)
Decrease in fair value (note 16)	**(2,986,281)**	(642,646)
Fair value at end of the period/year	**85,255,738**	92,469,307

8 Insurance receivables

	31 March 2018 AED (unaudited)	31 December 2017 AED (audited)
Due from external policyholders	**93,285,080**	84,473,854
Due from related party policyholders (note 11)	**968,682**	479,984
Due from insurance companies	**20,431,774**	17,882,391
Due from reinsurance companies	**4,446,125**	4,309,833
Less: allowance for doubtful debts	**(20,552,955)**	(7,634,139)
	98,578,706	99,511,923

Notes to the condensed financial statements
for the three months period ended 31 March 2018 (continued)

8 Insurance receivables (continued)

Movement in the allowance for doubtful debts:

	31 March 2018 AED (unaudited)	31 December 2017 AED (audited)
Balance at beginning of the year as per IAS 39	**7,634,139**	7,634,139
Effect of adoption of IFRS 9	**4,353,666**	-
Balance at beginning of the year as per IFRS 9	**11,987,805**	7,634,139
Charge for the period/year	**9,560,783**	-
Amounts reversed	**(995,633)**	-
Balance at end of the period/year	**20,552,955**	7,634,139

9 Technical provisions

	31 March 2018 AED (unaudited)	31 December 2017 AED (audited)
Technical provisions – Gross		
Unearned premium reserve (UPR)	**182,607,150**	179,867,116
Claims under settlement reserve (OSLR)	**178,363,536**	198,669,217
Claims incurred but not reported reserve (IBNR)	**71,033,528**	83,690,344
Unallocated loss adjustment expense reserve (ULAE)	**4,650,246**	5,291,886
Unexpired risk reserve (URR)	-	53,864
	436,654,460	467,572,427
Reinsurers' share of technical provisions		
Unearned premium reserve (UPR)	**122,684,809**	123,738,416
Claims under settlement reserve (OSLR)	**119,995,339**	132,706,318
Claims incurred but not reported reserve (IBNR)	**44,533,155**	55,237,187
Unexpired risk reserve (URR)	-	-
	287,213,303	311,681,921
Technical provisions – Net		
Unearned premium reserve (UPR)	**59,922,341**	56,128,700
Claims under settlement reserve (OSLR)	**58,368,197**	65,962,899
Claims incurred but not reported reserve (IBNR)	**26,500,373**	28,453,157
Unallocated loss adjustment expense reserve (ULAE)	**4,650,246**	5,291,886
Unexpired risk reserve (URR)	-	53,864
	149,441,157	155,890,506

Notes to the condensed financial statements
for the three months period ended 31 March 2018 (continued)

10 Cash and cash equivalents

	31 March 2018 AED (unaudited)	31 March 2017 AED (unaudited)
Cash on hand	**13,204**	14,383
Call accounts	**22,470,798**	21,362,853
Term deposits(a)	**195,721,352**	221,369,890
Bank balances and cash	**218,205,354**	232,747,126
Less: deposits with original maturities of greater than three months	**(195,721,352)**	(211,369,890)
Cash and cash equivalents	**22,484,002**	21,377,236

(a) Term deposits:

	31 March 2018 AED (unaudited)	31 March 2017 AED (unaudited)
Term deposits	**196,113,572**	211,369,890
Expected credit losses (note 2)	**(392,220)**	-
Total term deposits	**195,721,352**	211,369,890

The interest rate on term deposits and call accounts with banks ranges between 0.55% and 3.10% (31 December 2017: 0.55% and 2.7500%) 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 transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Notes to the condensed financial statements
for the three months period ended 31 March 2018 (continued)

11 Related parties (continued)

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

	Nature of relationship	**31 March 2018 AED (unaudited)**	31 December 2017 AED (audited)
Due from related party policyholders (note 8)	Affiliates	**968,682**	479,984

Transactions with related parties during the period are as follows:

	Nature of relationship	**3 months ended 31 March**	
		2018 AED (unaudited)	2017 AED (unaudited)
Premiums written	Affiliates	**690,548**	598,515
Claims paid	Affiliates	**236,145**	56,304

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	
	2018 AED (unaudited)	2017 AED (audited)
Short term benefits	**587,430**	536,649
Post-employment benefits	**27,019**	27,020
	614,449	563,669

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 2018 AED (unaudited)	31 December 2018 AED (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 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.

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 2018 AED (unaudited)	31 December 2017 AED (audited)
Dividend payable	**5,476,460**	6,050,344
Fee payable to insurance authority	**2,287,439**	1,867,155
Deferred income	**1,739,694**	1,646,194
Remuneration of the Directors	**-**	3,000,000
Other payables	**12,224,195**	9,733,839
	21,727,788	22,297,532

15 Insurance payables

	31 March 2018 AED (unaudited)	31 December 2017 AED (audited)
Due to policyholders	**27,298,611**	49,411,091
Due to insurance companies	**63,085,326**	44,605,306
Due to reinsurance companies	**21,963,768**	20,092,075
Premium reserve withheld	**75,417,157**	83,255,802
	187,764,862	197,364,274

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.

16 Income from investments

	3 months ended 31 March 2018 AED (unaudited)	3 months ended 31 March 2017 AED (unaudited)
Dividend income on investments at FVTOCI	**8,930,507**	6,959,081
Net interest income	**1,942,319**	1,470,020
(Decrease)/increase in fair value of investments at FVTPL (note 7.2)	**(2,986,281)**	398,574
Dividend income on investments at FVTPL	**1,203,627**	266,786
Profit/(loss) on disposal on investments at FVTPL (note 7.2)	**90,375**	(190,587)
Investment expenses	**(125,067)**	(229,334)
	9,055,480	8,674,540

Notes to the condensed financial statements
for the three months period ended 31 March 2018 (continued)

17 Profit for the period

Profit for the period is stated after charging:

	3 months ended 31 March	
	2018	2017
	AED	AED
	(unaudited)	(unaudited)
Staff costs	**6,553,957**	5,553,873
Depreciation of property and equipment	**119,139**	153,348
Amortisation of intangible assets	**200,092**	333,369
Foreign exchange gain	**(1,440)**	(14,203)

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	
	2018	2017
	(unaudited)	(unaudited)
Profit for the period (AED)	**16,201,022**	8,899,673
Weighted average number of ordinary shares in issue throughout the period	**100,000,000**	100,000,000
Basic earnings per share (AED)	**0.16**	0.09

As of 31 March 2018 and 2017, 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 2018 (unaudited)			As at 31 March 2017 (unaudited)		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Direct revenues	**116,291,045**	**13,234,851**	**129,525,896**	164,355,358	9,693,780	174,049,138
Direct costs	**(92,729,895)**	**(477,531)**	**(93,207,426)**	(156,399,434)	(732,966)	(157,132,400)
Administrative expenses	**(9,037,644)**	-	**(9,037,644)**	(7,098,039)	-	(7,098,039)
Depreciation expense	**(119,139)**	-	**(119,139)**	(153,348)	-	(153,348)
Amortisation expense	**(200,092)**	-	**(200,092)**	(333,369)	-	(333,369)
Other expenses	**(8,995,071)**	-	**(8,995,071)**	(940,043)	-	(940,043)
Non-cash investment gains	-	**(1,900,273)**	**(1,900,273)**	-	398,574	398,574
Segment profit	**5,209,204**	**10,857,047**	**16,066,251**	**(568,875)**	**9,359,388**	**8,790,513**
Other income	-	-	**134,771**	-	-	**109,160**
Profit/(loss) for the period	**5,209,204**	**10,857,047**	**16,201,022**	**(568,875)**	**9,359,388**	**8,899,673**

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 2018 and 2017.

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

Notes to the condensed financial statements
for the three months period ended 31 March 2018 (continued)

19 Segment information (continued)

19.2 Segment assets and liabilities

	As at 31 March 2018 (unaudited)			As at 31 December 2017 (audited)		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Segment assets	**422,876,938**	**555,571,541**	**978,448,479**	441,794,838	609,300,263	1,051,095,101
Unallocated assets	**-**	**-**	**22,484,002**	-	-	13,992,712
Total assets	**422,876,938**	**555,571,541**	**1,000,932,481**	441,794,838	609,300,263	1,065,087,013
Segment liabilities	**677,890,566**	**1,888,885**	**679,779,451**	712,360,032	1,795,385	714,155,417
Unallocated liabilities	**-**	**-**	**5,476,460**	-	-	9,050,344
Total liabilities	**677,890,566**	**1,888,885**	**685,255,911**	712,360,032	1,795,385	723,205,761
Capital expenditure	**39,450**	**-**	**39,450**	687,925	-	687,925

20 Seasonality of results

No income of seasonal nature was recorded in profit or loss for the three months period ended 31 March 2018 and 2017.

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 2017 AED (audited)	**Fair value hierarchy**	**Valuation technique**
Investments at FVTOCI – Quoted equity investments	**175,011,713**	177,652,331	Level 1	Quoted bid prices in an active market
Investments at FVTPL – Quoted equity investments	**24,700,451**	26,784,369	Level 1	Quoted bid prices in an active market
Investments at FVTPL – Quoted debt securities	**60,555,287**	65,684,938	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 2018 (continued)

22 Contingent liabilities

	31 March 2018 AED (unaudited)	31 December 2017 AED (audited)
Bank guarantees	**18,283,606**	16,341,922

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

23 Dividend distribution

Dividends, amounting to AED 35,000,000 for the year ended 31 December 2017, were approved by the Shareholders at the Annual General Meeting held on 13 February 2018.

24 Approval of condensed financial statements

These condensed financial statements were approved and authorised for issue by the Board of Directors on 13 May 2018.