Al Ain Ahlia Insurance Company P.S.C.

Condensed Interim Financial Statements (Un-audited)

For the period ended 30 September 2017

Al Ain Ahlia Insurance Company P.S.C.
Condensed Interim Financial Statements (Un-audited)
For the nine months period ended 30 September 2017.

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Al Ain Ahlia Insurance Co. (PSC)
INCORPORATED IN ABU DHABI BY ACT 18 OF THE YEAR 1975
INSURANCE REGISTRATION NO. 3 DATED 8/8/1984 AND SUBJECT TO THE PROVISIONS OF LAW NO. 6 OF 2007 CONCERNING THE ESTABLISHMENT OF INSURANCE AUTHORITY AND ITS REGULATIONS.
PAID UP CAPITAL DH. 150,000,000
Head Office : Abu Dhabi, Company Bldg., P.O. Box: 3077, Tel. 02 6119999
Website : www.alaininsurance.com

شركة العين الأهلية للتأمين (ش م ع)
تأسست في أبوظبي بموجب القانون رقم (١٨) لسنة ١٩٧٥
مسجلة تحت رقم ٣ في ١٩٨٤/٨/٨ و تخضع لأحكام القانون
رقم ٦ لسنة ٢٠٠٧ في شأن إنشاء هيئة التأمين و تنظيم أعماله
رأس المال (المدفوع ١٥٠،٠٠٠،٠٠٠ درهم)
المركز الرئيسي : أبوظبي بناية الشركة ص.ب : ٣٠٧٧، ت : ٠٢ ٦١١٩٩٩٩
E-mail : info@alaininsurance.com

BOARD OF DIRECTORS' REPORT

We are pleased to submit our report in respect of the company's business activities during the three quarters of 2017 together with our Auditor's report in addition to the summary of financials for the period ended 30 September, 2017.

The combined effects of the soft market conditions and over capacity in the reinsurance market has had an increasingly negative effect on the combined result of the UAE Insurance market but this situation continues with no sign of improvement in the near future.

The main highlights of the company's Financial Results for the period ended 30 September, 2017 can be summarized as follows:

Gross Premium income is AED 1.1 Billion, (AED 740.8 Million in 2016).
Net underwriting income for the period is AED 81.5 Million, (AED 82.8 Million in 2016).
Net Investment income is AED 16.5 Million, (AED 29.5 Million in 2016).
General and Administrative expenses are AED 55 Million, (AED 56.1 Million in 2016).
Net profit for the period is AED 43 Million, (AED 56.1 Million in 2016).
Total Assets are AED 5.5 Billion (AED 2.3 Billion in 2016) and Shareholders' equity is AED 1.16 Billion (1.1 Billion in 2016).
Basic & Diluted earing per share (EPS) amounted to AED 2.87, (AED 3.74 in 2016).

Chairman | **General Manager**

Grant Thornton

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Review report on the condensed interim financial information To the Board of Directors of Al Ain Ahlia Insurance Company. P.S.C. Abu Dhabi, United Arab Emirates

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Al Ain Ahlia Insurance Company P.S.C. (the "Company") as of 30 September 2017 and the related condensed interim income statement, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity and the condensed interim statement of cash flows for the nine months period then ended and the related explanatory notes. Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on the condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with the 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 condensed interim financial information does not present fairly, in all material respects, the financial position of the Company as of 30 September 2017, and its financial performance and its cash flows for nine months period then ended in accordance with IAS 34 "Interim Financial Reporting".

Grant Thornton

Grant Thornton
Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
13 November 2017

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Condensed Interim Statement of Financial Position
As at 30 September 2017

	Notes	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
ASSETS			
Property and equipment	6	**724,669**	565,744
Intangible assets		**380**	253
Investment property	7	**153,293**	153,293
Financial assets at FVTOCI	8	**197,333**	212,496
Financial assets at FVTPL	8	**29,650**	35,447
Insurance and other receivables	10	**265,479**	202,048
Statutory deposits	5	**10,000**	10,000
Prepayments and advances		**4,344**	1,360
Reinsurance contract assets	9	**3,696,994**	676,143
Term deposits	11	**258,552**	332,245
Cash and cash equivalents	11	**159,100**	157,772
TOTAL ASSETS		**5,499,794**	2,346,801
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**150,000**	150,000
Legal reserve	13	**75,000**	75,000
Technical reserve	13	**8,083**	8,083
General reserve	13	**600,000**	600,000
Fair value reserve on financial assets at FVTOCI		**98,495**	103,030
Retained earnings		**229,333**	229,002
TOTAL EQUITY		**1,160,911**	1,165,115
LIABILITIES			
Employees' end-of-service benefits		**45,172**	41,523
Insurance contract liabilities	9	**4,020,041**	891,864
Insurance and other payables	14	**233,627**	212,701
Reinsurance deposit retained		**25,954**	22,295
Accruals and deferred income		**14,089**	13,303
TOTAL LIABILITIES		**4,338,883**	1,181,686
TOTAL EQUITY AND LIABILITIES		**5,499,794**	2,346,801

These condensed interim financial statements were approved by the Board of Directors on 13 November, 2017 and signed on their behalf by:

Chairman **General Manager** **Chief Financial Officer**

The notes from 1 to 23 form an integral part of these condensed interim financial statements

Condensed Interim Income Statement
For the period ended 30 September 2017

	Notes	(Un-audited) Three months period ended 30 September 2017 AED'000	(Un-audited) Three months period ended 30 September 2016 AED'000	(Un-audited) Nine months period ended 30 September 2017 AED'000	(Un-audited) Nine months period ended 30 September 2016 AED'000
Gross premium		**244,551**	282,634	**1,128,530**	740,854
Reinsurance share of premium		**(125,290)**	(227,380)	**(764,423)**	(486,916)
Net premium		**119,261**	55,254	**364,107**	253,938
Net transfer to unearned premium		**(15,508)**	9,656	**(82,741)**	(52,309)
Net premium earned		**103,753**	64,910	**281,366**	201,629
Commission earned		**5,828**	17,477	**55,904**	45,471
Commission paid		**(11,411)**	(15,071)	**(45,689)**	(36,053)
Other underwriting income		**147**	2,072	**431**	2,072
Gross underwriting income		**98,317**	69,388	**292,012**	213,119
Gross claims incurred		**(543,931)**	(80,701)	**(878,979)**	(216,309)
Reinsurance share of claims incurred		**476,946**	39,474	**703,378**	99,647
Net claims		**(66,985)**	(41,227)	**(175,601)**	(116,662)
Provision for outstanding claims and technical provisions		**(546,923)**	(5,252)	**(2,890,838)**	(113,194)
Reinsurance share of outstanding claims		**550,421**	5,141	**2,866,253**	99,559
Other underwriting expenses		**(2,504)**	-	**(10,284)**	-
Net claims incurred		**(65,991)**	(41,338)	**(210,470)**	(130,297)
Net underwriting income		**32,326**	28,051	**81,542**	82,822
Income from investments - net	15	**3,223**	1,488	**12,457**	25,640
Income from investment property – net	7	**1,126**	929	**3,598**	3,021
Other income		**997**	858	**538**	858
Gross income		**37,672**	31,325	**98,135**	112,341
General and administrative expenses	19	**(17,809)**	(20,338)	**(55,084)**	(56,187)
NET PROFIT FOR THE PERIOD		**19,863**	10,987	**43,051**	56,154
		AED	AED	**AED**	AED
Earnings per share:					
Basic and diluted	18	**1.32**	0.73	**2.87**	3.74

The notes from 1 to 23 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Comprehensive Income
For the period ended 30 September 2017

	(Un-audited) Three months period ended 30 September 2017	(Un-audited) Three months period ended 30 September 2016	**(Un-audited) Nine months period ended 30 September 2017**	(Un-audited) Nine months period ended 30 September 2016
	AED'000	AED'000	**AED'000**	AED'000
Net profit for the period	**19,863**	10,987	**43,051**	56,154
Other comprehensive income				
Item that will not be subsequently reclassified to profit or loss	-	-	-	-
Change in fair value relating to investments carried at fair value through other comprehensive income	**8,572**	10,863	**(2,255)**	9,976
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**28,435**	21,850	**40,796**	66,130

The notes from 1 to 23 form an integral part of these condensed interim financial statements

Condensed Interim Statement of Changes in Equity
For the period ended 30 September 2017

	Share capital AED'000	Legal reserve AED'000	Technical reserve AED'000	General reserve AED'000	Fair value reserve on financial assets at fair value through other comprehensive income AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January, 2016 (Audited)	150,000	75,000	8,083	600,000	72,568	209,815	1,115,466
Profit for the period	-	-	-	-	-	56,154	56,154
Other comprehensive loss for the period	-	-	-	-	9,976	-	9,976
Total comprehensive income for the period	-	-	-	-	9,976	56,154	66,130
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	-	(15,584)	15,584	-
Dividend declared (note 21)	-	-	-	-	-	(30,000)	(30,000)
Balance at 30 September 2016 (Un-audited)	150,000	75,000	8,083	600,000	66,960	251,553	1,151,596
Balance at 1 January, 2017 (Audited)	150,000	75,000	8,083	600,000	103,030	229,002	1,165,115
Profit for the period	-	-	-	-	-	43,051	43,051
Other comprehensive loss for the period	-	-	-	-	(2,255)	-	(2,255)
Total comprehensive income for the period	-	-	-	-	(2,255)	43,051	40,796
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	-	(2,280)	2,280	-
Dividend declared (note 21)	-	-	-	-	-	(45,000)	(45,000)
Balance at 30 September 2017 (Un-audited)	**150,000**	**75,000**	**8,083**	**600,000**	**98,495**	**229,333**	**1,160,911**

The notes from 1 to 23 form an integral part of these condensed interim financial statements

Condensed Interim Statement of Cash Flows
For the period ended 30 September 2017

	Notes	(Un-audited) Nine months period ended 30 September 2017 AED'000	(Un-audited) Nine months period ended 30 September 2016 AED'000
OPERATING ACTIVITIES			
Net profit for the period		**43,051**	56,154
Adjustments for non-cash items:			
Depreciation on property and equipment		**530**	616
Amortization of intangible assets		**93**	98
Changes in fair value of investments carried at FVTPL	8	**6,383**	(7,435)
Gain from disposal of property and equipment		**(21)**	-
Loss on sale of investments carried at FVTPL		**(113)**	2,573
Interest and dividend income	8	**(18,727)**	(20,766)
Provision for employees' end-of-service benefits		**3,649**	3,440
Operating profit before changes in working capital		**34,845**	34,680
Change in working capital			
Net movements in reinsurance contracts assets		**(3,020,851)**	(154,541)
Net movements in insurance contracts liabilities		**3,128,177**	220,485
Increase in insurance and other receivables		**(66,415)**	(42,018)
Increase in insurance other payables, reinsurance deposits retained, accruals and deferred income		**25,371**	68,733
Net cash generated from operating activities		**101,127**	127,339
INVESTING ACTIVITIES			
Payments for purchase of property and equipment		**(159,455)**	(109,314)
Purchases of intangible assets		**(220)**	-
Proceed from disposal of property and equipment		**21**	-
Purchase of investments carried at FVTOCI	8	**(22,819)**	(40,965)
Proceeds from sale of investments carried at FVTOCI	8	**35,727**	94,844
Purchase of investments carried at FVTPL	8	**(51,303)**	(128,970)
Proceeds from sale of investments carried at FVTPL		**50,830**	114,569
Increase /(decrease) in term deposits maturing for more than three months		**73,693**	(1,327)
Interest and dividend received	15	**18,727**	20,766
Net cash used in from investing activities		**(54,799)**	(50,397)
FINANCING ACTIVITIES			
Dividends paid	21	**(45,000)**	(30,000)
Net cash used in financing activities		**(45,000)**	(30,000)
Net change in cash and cash equivalents		**1,328**	46,942
Cash and cash equivalents, beginning of period	11	**157,772**	52,082
Cash and cash equivalents, end of period	11	**159,100**	99,024

The notes from 1 to 23 form an integral part of these condensed interim financial statements

Supplementary condensed interim statement of financial position for insurance of persons and fund accumulation operations
As at 30 September 2017

	(Un-audited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
ASSETS		
Reinsurance contract assets	**2,537**	1,459
Insurance and other receivables	**2,270**	2,873
Prepayments	**26**	30
Cash and bank balances	**1,768**	148
TOTAL ASSETS	**6,601**	4,510
EQUITY AND LIABILITIES		
Equity		
(Accumulated losses) / retained earnings	**(92)**	717
TOTAL EQUITY	**(92)**	717
LIABILITIES		
Employees' end-of-service benefits	**642**	602
Insurance contract liabilities	**3,120**	1,962
Insurance and other payables	**2,795**	1,141
Accruals and deferred income	**136**	88
TOTAL LIABILITIES	**6,693**	3,793
TOTAL EQUITY AND LIABILITIES	**6,601**	4,510

Supplementary condensed interim income statement for insurance of persons and fund accumulation operations
For the period ended 30 September 2017

	(Un-audited) Nine months period ended 30 September 2017 AED'000	(Un-audited) Nine months period ended 30 September 2016 AED'000
Gross premiums	**4,663**	4,912
Reinsurance share of gross premiums	**(3,851)**	(3,529)
Net premiums	**812**	1,383
Net transfer to unearned premium reserve	**17**	(205)
Net premiums earned	**829**	1,178
Commissions paid	**(173)**	(347)
Gross underwriting income	**656**	831
Gross claims incurred	**(2,878)**	(2,621)
Reinsurance share of insurance claims incurred	**2,680**	2,358
Net claims	**(198)**	(263)
Provision for outstanding claims and technical provisions	**50**	830
Reinsurance share of outstanding claims	**(147)**	(756)
Other underwriting expenses	**(14)**	(82)
Net claims incurred	**(309)**	(271)
Net underwriting income	**347**	560
General and administrative expenses	**(1,156)**	(317)
Net (loss)/profit for the period	**(809)**	243

Supplementary condensed interim statement of financial position for property and liability insurance
As at 30 September 2017

	(Un-audited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
ASSETS		
Property and equipment	**724,669**	565,744
Intangible assets	**380**	253
Investment properties	**153,293**	153,293
Investment carried at FVTOCI	**197,333**	212,496
Investments carried at FVTPL	**29,650**	35,447
Statutory deposit	**10,000**	10,000
Reinsurance contract assets	**3,694,457**	674,684
Insurance and other receivables	**263,209**	199,175
Prepayments	**4,318**	1,330
Term deposits	**258,552**	332,245
Cash and banks balances	**157,332**	157,624
TOTAL ASSETS	**5,493,193**	2,342,291
EQUITY AND LIABILITIES		
Equity		
Share capital	**150,000**	150,000
Legal reserve	**75,000**	75,000
Technical reserve	**8,083**	8,083
General reserve	**600,000**	600,000
Fair value reserve on financial assets at FVTOCI	**98,495**	103,030
Retained earnings	**229,425**	228,285
TOTAL EQUITY	**1,161,003**	1,164,398
Liabilities		
Provision for end of service benefits	**44,530**	40,921
Insurance contracts liabilities	**4,016,921**	889,902
Insurance and other payables	**230,832**	211,560
Re-insurance deposits retained	**25,954**	22,295
Accruals and deferred income	**13,953**	13,215
TOTAL LIABILITIES	**4,332,190**	1,177,893
TOTAL EQUITY AND LIABILITIES	**5,493,193**	2,342,291

Supplementary condensed interim income statement for property and liability insurance
For the period ended 30 September 2017

	(Un-audited) Nine months period ended 30 September 2017	(Un-audited) Nine months period ended 30 September 2016
	AED'000	AED'000
Gross premiums	**1,123,867**	735,942
Reinsurance share of gross premiums	**(760,572)**	(483,387)
Net premiums	**363,295**	252,555
Net transfer to unearned premium reserve	**(82,758)**	(52,104)
Net premiums earned	**280,537**	200,451
Commissions received	**55,904**	45,471
Commissions paid	**(45,516)**	(35,706)
Other underwriting income	**431**	2,072
Gross underwriting income	**291,356**	212,288
Gross claims incurred	**(876,101)**	(213,688)
Reinsurance share of claims incurred	**700,698**	97,289
Net claims	**(175,403)**	(116,399)
Provision for outstanding claims and technical provisions	**(2,890,888)**	(114,024)
Reinsurance share of outstanding claims	**2,866,400**	100,315
Other underwriting expenses	**(10,270)**	82
Net claims incurred	**(210,161)**	(130,026)
Net underwriting income	**81,195**	82,262
Income from investments – net	**12,457**	25,640
Income from investment property - net	**3,598**	3,021
Other gain	**538**	858
Gross income	**97,788**	111,781
General and administrative expenses	**(53,928)**	(55,870)
Net profit for the period	**43,860**	55,911

Notes to the condensed interim financial statements For the period ended 30 September 2017

1 Legal status and activities

Al Ain Ahlia Insurance Company Public Shareholding (the "Company") was incorporated in Abu Dhabi with limited liability by Law No. (18) of 1975. The Company is registered as a public shareholding company in accordance with the Federal Law No. (2) of 2015.

The Company's principal activity is underwriting of all classes of insurance in accordance with the provisions of the U.A.E. Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations.

The Company is domiciled and operates in the UAE and its registered address is P.O. Box 3077, Abu Dhabi, United Arab Emirates. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The company had 256 employees as of 30 September 2017 (30 September 2016: 251)

2 General information

Statement of compliance

The condensed financial statements have been prepared in accordance with International Accounting Standards (IAS) 34, *"Interim Financial Reporting"* as issued by the International Accounting Standards Board (IASB), and also comply with the applicable requirements of the laws in the UAE.

On 28 December 2014, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for Insurance Companies and was then subsequently issued in the UAE Official Gazette No.575 on 28 January 2015 and came into force on 29 January 2015. The insurance companies have been given a grace period of between one and three years to comply with the Financial Regulations for Insurance Companies, depending on the section involved.

Basis of preparation

These condensed interim financial statements are for the nine months ended 30 September 2017 and are presented in Arab Emirate Dirham (AED), which is the functional and presentational currency of the Company.

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

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investment securities and investment properties have been disclosed in the condensed interim financial statements.

These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and do not include all of the information required in annual financial statements in accordance with IFRSs, and should be read in conjunction with the financial statements for the year ended 31 December 2016. In addition, the results for the nine month period ended 30 September 2017 are not necessarily an indication of the results that may be expected for the financial year ending 31 December 2017.

These condensed interim financial statements have been prepared on a consistent basis with the accounting policies and estimates adopted in the Company's most recent annual financial statements for the year ended 31 December 2016.

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

New and revised IFRSs effective for accounting periods beginning on or after 1 January 2017.

Certain standards, interpretations and amendments to existing standards, issued by the IASB, that are effective for the accounting period beginning on or after 1 January 2017, are relevant to the Company and have been applied for the first time. The nature and impact of these standards, interpretations and amendments are described below:

Disclosure Initiative (Amendments to IAS 7)

The amendments in IAS 7 Statement of Cash Flows clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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

The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those related to summarised financial information, also apply to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

4 Summary of significant accounting policies

Financial assets carried at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL where the financial assets are either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (assets or liabilities) to be designated as FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in the income statement. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair values of financial assets at fair value through profit or loss are determined by reference to quoted market prices.

4 Significant accounting policies (continued)

Financial assets carried at fair value through profit or loss (FVTPL) (Continued)

Dividend income on investments in equity instruments at FVTPL is recognized in the income statement when the Company's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the 'income from investments - net' line item in the profit and loss.

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 FVTOCI. Designation as FVTOCI is not permitted if the equity investment is held for trading.

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 recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. 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 recognized 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 recognized in profit or loss and are included in 'income from investments – net' in the income statement.

Investment properties

Investment properties comprise of completed properties which are held to earn rentals and/or for capital appreciation and properties under development which are properties being constructed or developed for future use as an investment property.

Investment property is measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff 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 the profit or loss in the period in which they arise.

Upon completion of construction or development, a property is transferred from properties under development to completed properties.

Critical accounting estimates and judgements in applying accounting policies

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 expenses. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgements made by management in applying the Company's accounting policies, and key sources of estimates uncertainty were the same as those which were applied to the financial statements as at and for the year ended 31 December 2016 with one exception which is described below.

4 Significant accounting policies (continued)

Critical accounting estimates and judgements in applying accounting policies (continued)

Classification of investments
Management designates at the time of acquisition of securities whether these should be classified as FVTOCI or FVTPL. In judging whether investments in securities are classified as FVTOCI or FVTPL, Management has considered the detailed criteria for determination of such classification as set out in IAS 39 *Financial Instruments Recognition and Measurement.* Management is satisfied that its investments in securities are appropriately classified.

Classification of investment properties
In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property or property and equipment. The company develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property and property and equipment. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 16 *Property, Plant and Equipment* and IAS 40 *Investment Property*, in particular, the intended usage of property as determined by management.

Estimate of fair value of investment properties
The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Company determined the amount within a range of reasonable fair value estimates. In making its judgement, the Company considered recent prices of similar properties in the same location and similar conditions, which adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

Impairment of amounts due from insurance and reinsurance companies
Management regularly reviews the collectability of amounts due from insurance and reinsurance companies. The majority of these receivables are due from reputable local and international insurance and reinsurance companies. Such balances are regularly reconciled by both parties and are settled by account payments on a regular basis. Based on the above evaluation Management is satisfied that no impairment is necessary on receivables from insurance and reinsurance companies.

Impairment of trade receivables
An estimate of the collectability of policyholders' balances is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future period and the amounts expected will be recognized in the statement of profit or loss.

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

5 Statutory deposits

In accordance with the requirements of UAE Federal Law No. (6) of 2007 covering insurance companies and agencies, the Company maintains a bank deposit of AED 10,000,000 (2016: AED 10,000,000) which cannot be utilized without the consent of the UAE Insurance Authority

6 Property and equipment

Property and equipment includes land with a value of AED 296.3 million (31 December 2016: AED 296.3 million).

Also included in property and equipment is an amount of AED 426.7 million (31 December 2016: AED 268.2 million) relating to expenditures for a hotel in the course of construction in Dubai.

7 Investment properties

	Land AED'000	Buildings AED'000	Total AED'000
Balance at 1 January 2016 (Audited)	51,140	86,500	137,640
Additions during the year	-	16,953	16,953
Change in fair value	-	(1,300)	(1,300)
Balance at 31 December 2016 (Audited)	51,140	102,153	153,293
Balance at 30 September 2017 (Unaudited)	**51,140**	**102,153**	**153,293**

The fair value of the Company's investment properties has been arrived at on the basis of a valuation carried out on that date by DG Jones and Partners independent valuers, not related to the Company. DG Jones and Partners are members of the Royal Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

Management believes that the net impact of any potential changes in the key assumptions underlying this valuation used is not material and accordingly there is no change in the fair value of the investment properties as at 30 September 2017 compared to 31 December 2016. In estimating the fair value of the properties the highest and best use of the property is considered as their current use. The inputs used in the valuations are not based on observable market data and thus the valuation techniques were considered to be a Level 3 valuation.

All investment properties are located in the United Arab Emirates.

7 Investment properties (continued)

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

	(Un-audited) Nine months period ended 30 September 2017	(Un-audited) Nine months period ended 30 September 2016
Rental income	**4,301**	3,576
Direct operating expenses	**(703)**	(555)
Net income from investment properties	**3,598**	3,021

8 Investments in securities

	(Un-audited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Investments carried at FVTOCI		
Quoted UAE equity securities	**174,754**	189,917
Quoted UAE debt securities	**20,000**	20,000
Unquoted non UAE equity securities	**2,579**	2,579
	197,333	212,496
Investments designated at FVTPL		
Quoted UAE securities	**29,650**	35,447

The movement in the investments in securities is as follows:

	(Un-audited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Investments carried at FVOCI		
Fair value at 1 January	**212,496**	290,177
Purchases	**22,819**	70,016
Disposals	**(35,727)**	(165,091)
(Decrease) / increase in fair value	**(2,255)**	17,394
Fair value at the end of the reporting period / year	**197,333**	212,496

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2017

8 Investments in securities (continued)

	(Un-audited) 30 September 2017	(Audited) 31 December 2016
Investments designated at FVTPL		
Fair value at 1 January	**35,447**	23,103
Purchases	**51,303**	137,612
Disposals	**(50,717)**	(130,664)
(Decrease) / increase in fair value taken to profit and loss	**(6,383)**	5,396
Fair value at the end of the period / year	**29,650**	35,447

The geographical distribution of investments is as follows:

Quoted UAE equity securities	**204,404**	225,364
Quoted UAE debt securities	**20,000**	20,000
Unquoted outside UAE equity securities	**2,579**	2,579
	226,983	247,943

The following table provides an analysis of financial instrument 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 that are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value measurements that are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – fair value measurements that are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Management has determined the fair value of these unquoted investments by applying an appropriate risk adjusted liquidity discount on the net assets of the investee companies.

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2017

8 Investments in securities (continued)

	Note	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 September 2017 (un-audited)					
Investments at FVTOCI					
Investment in quoted securities	**(a)**	**194,754**	**-**	**-**	**194,754**
Investment in unquoted securities		**-**	**-**	**2,579**	**2,579**
		194,754	**-**	**2,579**	**197,333**
Investments at FVTPL					
Investment in quoted securities	**(a)**	**29,650**	**-**	**-**	**29,650**
		29,650	**-**	**-**	**29,650**
31 December 2016 (audited)					
Investments at FVTOCI					
Investment in quoted securities	(a)	209,917	-	-	209,917
Investment in unquoted securities		-	-	2,579	2,579
		209,917	-	2,579	212,496
Investments at FVTPL					
Investment in quoted securities	(a)	35,447	-	-	35,447
		35,447	-	-	35,447

(a) Fair values have been determined by reference to the quoted prices at the reporting date 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.

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.

9 Insurance contract liabilities and re-insurance contract assets

	(unaudited) 30 September 2017			(audited) 31 December 2016		
	Gross technical reserves AED'000	**Reinsurers' share of technical reserves AED'000**	**Net AED'000**	Gross technical reserves AED'000	Reinsurers' share of technical reserves AED000	Net AED'000
Property and liability insurance						
Outstanding claims	**3,265,610**	**3,220,908**	**44,702**	506,492	471,732	34,760
Claims incurred but not reported (IBNR)	**229,187**	**169,962**	**59,225**	98,354	52,738	45,616
Unallocated loss adjustments (ULAE)	**4,087**	**-**	**4,087**	3,150	-	3,150
Unearned premiums	**518,037**	**303,587**	**214,450**	281,906	150,214	131,692
	4,016,921	**3,694,457**	**322,464**	889,902	674,684	215,218
Insurance of persons and fund accumulation						
Outstanding claims	**308**	**263**	**45**	358	319	39
Claims incurred but not reported (IBNR)	**382**	**256**	**126**	386	347	39
Unallocated loss adjustments (ULAE)	**7**	**-**	**7**	3	-	3
Unearned premiums	**2,423**	**2,018**	**405**	1,215	793	422
	3,120	**2,537**	**583**	1,962	1,459	503
Consolidated						
Outstanding claims	**3,265,918**	**3,221,171**	**44,747**	506,850	472,051	34,799
Claims incurred but not reported (IBNR)	**229,569**	**170,218**	**59,351**	98,740	53,085	45,655
Unallocated loss adjustments (ULAE)	**4,094**	**-**	**4,094**	3,153	-	3,153
Unearned premiums	**520,460**	**305,605**	**214,855**	283,121	151,007	132,114
	4,020,041	**3,696,994**	**323,047**	891,864	676,143	215,721

10 Insurance and other receivables

	(Un-audited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Due from policy holders	**66,799**	52,023
Due from related parties (Note 16)	**27,329**	4,863
Provision for doubtful debts	**(9,500)**	(9,500)
	84,628	47,386
Insurance and reinsurance companies	**140,882**	106,779
	225,510	154,165
Other receivables	**39,969**	47,883
	265,479	202,048

The average credit period on insurance contracts is 90 days. No interest is charged on insurance and other receivables.

Amounts due from policyholders and insurance and reinsurance companies' balances consists of a large number of customers and insurance and reinsurance companies. The Company's terms of business require amounts to be paid in accordance with arrangements reached with the policy holders and insurance companies.

Movement in the provision of doubtful debts:

	(Un-audited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
At 1 January	**9,500**	8,500
Allowance recognized during the period/year	**-**	1,000
Balance at the end of the period/year	**9,500**	9,500

11 Cash and cash equivalents

	(Un-audited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Cash and bank balances	**159,100**	157,772
Statutory deposit	**10,000**	10,000
Term deposits	**258,552**	332,245
	427,652	500,017
Statutory deposit	**(10,000)**	(10,000)
Less: deposits with original maturities of greater than 3 months	**(258,552)**	(332,245)
Cash and cash equivalents	**159,100**	157,772

12 Share capital

	(Un-audited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Authorized, issued and fully paid		
15,000,000 shares of AED 10 each	**150,000**	150,000

13 Reserves

Legal Reserve

In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to 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

The General Reserve is established to enhance the capital base of the Company.

Technical Reserve

The Technical Reserve is established to cover unforeseen future risks, which may arise from general insurance risks.

14 Insurance and other payables

	(Un-audited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Due to insurance and reinsurance companies	**125,480**	94,722
Other payables	**63,142**	73,133
Due to policy holders	**23,520**	21,232
Dividends payable	**16,697**	16,697
Directors remuneration	**4,784**	6,917
Due to related parties (note 16)	**4**	-
	233,627	212,701

Insurance and other payables are due in less than one year. Insurance payable are non-interest bearing and are normally settled within 60-90 days term.

15 Income from investment - net

	(Un-audited) Nine months period ended 30 September 2017 AED'000	(Un-audited) Nine months period ended 30 September 2016 AED'000
Dividend income	**10,880**	12,904
Interest income	**7,847**	7,862
Gain /(loss) on disposal of investments at FVTPL	**113**	(2,573)
(Decrease) / increase in fair value on investment at FVTPL	**(6,383)**	7,435
Other income	**-**	12
	12,457	25,640

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2017

16 Related parties

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

Details of related party balances are as follows:

	(Un-audited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Due from related parties		
Related parties due to common directorship (note 10)	**9,162**	4,711
Key management	**160**	112
Related parties due to common control (subsidiary under inception)	**18,007**	40
	27,329	4,863
Due to related parties (note 14)	**4**	-

Related party transactions

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as contained in IFRS.

The following are the details of significant transactions with related parties:

	(Un-audited) Nine months period ended 30 September 2017 AED'000	(Un-audited) Nine months period ended 30 September 2016 AED'000
Premiums written	**4,981**	4,222
Claims paid	**80**	5,857
Remuneration of key management personnel	**6,531**	6,657
Remuneration of board of directors	**4,784**	5,615

The remuneration of Directors is accrued and paid as an appropriation out of the profits of the period in accordance with the Federal Law No. (2) 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.

17 Profit for the period

Profit for the period is arrived after charging the following:

	(Un-audited) Nine months period ended 30 September 2017	(Un-audited) Nine months period ended 30 September 2016
	AED'000	AED'000
Staff costs	**43,712**	44,178
Depreciation and amortization	**529**	715

18 Earnings per share – Basic and diluted

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

	(Un-audited) Three months period ended 30 September, 2017	(Un-audited) Three months period ended 30 September, 2016	**(Un-audited) Nine months period ended 30 September, 2017**	(Un-audited) Nine months period ended 30 September, 2016
Earnings (AED'000):				
Net profit for the period	**19,863**	10,987	**43,051**	56,154
Number of shares:				
Weighted average number of ordinary shares for the purpose of earnings per share	**15,000,000**	15,000,000	**15,000,000**	15,000,000
Earnings per share (AED):				
Basic and diluted	**1.32**	0.73	**2.87**	3.74

The Company does not have potentially diluted shares and accordingly, diluted earnings per share equals basic earnings per share.

19 Segment information

The Company has 2 reportable segments, as described below, which are the Company's strategic business units. The 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)

Primary segment information – business segment

The following in an analysis of the Company's revenue and results by business segment:

	Nine months period ended 30 September 2017 (Un-audited) AED'000			Nine months period ended 30 September 2016 (Un-audited) AED'000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment revenue	**1,184,865**	**16,593**	**1,201,458**	788,397	29,519	817,916
Segment result	**81,542**	**16,593**	**98,135**	82,822	29,519	112,341
Unallocated expense, net			**(55,084)**			(56,187)
Net profit for the period			**43,051**			56,154

Unallocated expenses comprise of the following:

	(Un-audited) Nine months period ended 30 September 2017 AED'000	(Un-audited) Nine months period ended 30 September 2016 AED'000
Staff costs	**43,712**	44,178
Legal and professional fees	**1,252**	1,136
Finance charges	**1,102**	588
Utilities	**719**	708
Repairs and maintenance	**699**	562
Rental Expense	**609**	521
Marketing and advertising expense	**573**	413
Depreciation	**529**	715
Printing and stationary	**371**	384
Other Expenses	**5,518**	6,982
	55,084	56,187

The following is an analysis of the Company's assets and liabilities by business segment:

	30 September 2017 AED'000 (Un-audited)			31 December 2016 AED'000 (Audited)		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment assets	**4,691,866**	**648,828**	**5,340,694**	1,445,548	743,481	2,189,029
Unallocated assets			**159,100**			157,772
Total assets			**5,499,794**			2,346,801
Segment liabilities	**4,279,622**	**14,089**	**4,293,711**	1,126,860	13,303	1,140,163
Unallocated liabilities			**45,172**			41,523
Total liabilities			**4,338,883**			1,181,686

19 Segment information (continued)

Secondary segment information – revenue from underwriting departments

The following is an analysis of the Company's revenues (gross written premiums and commission income) classified by major underwriting departments.

	(Un-audited) Nine months period ended 30 September 2017 AED'000	(Un-audited) Nine months period ended 30 September 2016 AED'000
Employee benefits, medical and personal assurance	**448,845**	228,150
Motor	**297,446**	176,481
Oil and gas	**184,369**	87,465
Fire and allied perils	**124,400**	181,611
General accident	**92,576**	83,504
Marine and aviation	**32,567**	31,186
Life	**4,662**	-
	1,184,865	788,397

There were no transactions between the business segments during the period.

20 Commitments and contingencies

The Company's bankers have issued in the normal course of business letters of guarantee in favor of third parties amounting to AED 20.34 million (31 December 2016: AED 21.88 million).

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, the management, based on advice from independent loss adjusters and internal legal counsel, has made a provision of AED 4.37 million (31 December 2016: 13.46 AED million) representing amounts expected to result in a probable outflow of economic resources.

The Company is currently developing a hotel which is currently classified as capital work in progress under property and equipment. Management expect that the hotel development will be completed by the end of 2017

The management has estimated the remaining capital commitment to complete the project to amount to AED 100 Million (31 December 2016: AED 231.5 million)

Notes to the condensed interim financial statements (continued)
For the period ended 30 September 2017

21 Dividends

The Board of Directors has proposed cash dividends of 30% which is AED 3 per share amounting to AED 45 million for the year ended 31 December 2016 to be paid to the shareholders in 2017. The dividends were approved by the General Assembly dated 20 March 2017 and were paid to the shareholder during the period.

At the Annual General Meeting held on 21 March 2016, the Shareholders approved a cash dividend of AED 2.00 per share amounting to a total of AED 30,000,000 for the year ended 31 December 2015.

22 Post reporting date events

No adjusting or significant non-adjusting events occurred between the reporting date and the date of authorization of the Condensed Interim Financial Statements.

23 Approval of condensed interim financial statements

The condensed interim financial statements were approved and authorized for issue by the Board of Directors on 13 November 2017