AL FUJAIRAH NATIONAL INSURANCE COMPANY P.S.C.

Review report and interim financial information for the nine months period ended 30 September 2017

Al Fujairah National Insurance Company P.S.C.

Contents **Page**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Al Fujairah National Insurance Company P.S.C.
Fujairah, United Arab Emirates

Introduction

We have reviewed the accompanying condensed statement of financial position of **Al Fujairah National Insurance Company P.S.C.** as at 30 September 2017 and the related condensed statement of profit or loss, condensed statement of other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 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: *Interim Financial Reporting.*

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
14 November 2017
Fujairah, United Arab Emirates

Condensed statement of financial position as at 30 September 2017

	Note	**30 September 2017 (unaudited) AED**	31 December 2016 (audited) AED
ASSETS			
Property and equipment	5	**18,436,989**	13,882,751
Investment properties	6	**91,085,000**	91,085,000
Financial assets designated at fair value through other comprehensive income (FVTOCI)	7	**147,068,377**	143,428,746
Financial assets at FVTPL	7	**11,419,535**	12,179,595
Statutory deposit	8	**10,000,000**	10,000,000
Re-insurance contract assets	9	**64,210,809**	90,554,727
Insurance and other receivables		**53,719,761**	44,503,027
Bank balances and cash	10	**85,062,671**	95,631,468
Total assets		**481,003,142**	501,265,314
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**100,000,000**	100,000,000
Statutory reserve		**26,322,915**	26,322,915
General reserve		**22,477,755**	22,477,755
Cumulative changes in fair value of financial assets at FVTOCI	7	**19,072,700**	32,126,810
Property revaluation reserve		**11,205,588**	11,205,588
Retained earnings		**33,781,328**	22,426,250
Total equity		**212,860,286**	214,559,318
Liabilities			
Bank borrowings	12	**-**	3,071,180
Provision for employees' end of service indemnity		**12,761,086**	11,379,852
Insurance contract liabilities	9	**209,475,101**	227,924,405
Insurance and other payables		**45,906,669**	44,330,559
Total liabilities		**268,142,856**	286,705,996
Total equity and liabilities		**481,003,142**	501,265,314

....

Chairman General Manager

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

Condensed statement of profit or loss (unaudited)
for the nine months period ended 30 September 2017

	Note	Nine months period ended 30 September 2017 AED	Nine months period ended 30 September 2016 AED	Three months period ended 30 September 2017 AED	Three months period ended 30 September 2016 AED
Insurance premium revenue	13	**159,880,710**	142,325,435	**56,318,369**	49,806,498
Insurance premium ceded to reinsurers	13	**(37,316,563)**	(36,498,183)	**(12,859,166)**	(12,609,229)
Net insurance premium revenue	13	**122,564,147**	105,827,252	**43,459,203**	37,197,269
Gross claims incurred		**(65,317,431)**	(114,766,494)	**(21,271,633)**	(42,497,310)
Insurance claims recovered from reinsurers		**(7,850,435)**	40,678,371	**770,240**	17,823,567
Net claims incurred		**(73,167,866)**	(74,088,123)	**(20,501,393)**	(24,673,743)
Gross commission earned		**5,865,002**	5,540,162	**2,104,743**	1,801,133
Less: commission incurred		**(9,948,425)**	(7,645,209)	**(3,171,411)**	(2,600,403)
Net commission incurred		**(4,083,423)**	(2,105,047)	**(1,066,668)**	(799,270)
Underwriting profit		**45,312,858**	29,634,082	**21,891,142**	11,724,256
General and administrative expenses relating to underwriting activities		**(22,502,851)**	(20,668,273)	**(7,124,759)**	(6,121,054)
Net underwriting profit		**22,810,007**	8,965,809	**14,766,383**	5,603,202
Income from investments and others		**4,412,514**	8,560,663	**643,624**	1,647,224
Unallocated general and administrative expenses		**(5,625,713)**	(5,167,068)	**(1,781,190)**	(1,530,263)
Finance costs		**(28,383)**	(317,764)	**-**	(80,986)
Profit for the period		**21,568,425**	12,041,640	**13,628,817**	5,639,177
Basic earnings per share	14	**21.57**	12.04	**13.63**	5.64

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

Condensed statement of other comprehensive income (unaudited) for the nine months period ended 30 September 2017

	Nine months period ended 30 September		Three months period ended 30 September	
	2017	2016	**2017**	2016
	AED	AED	**AED**	AED
Profit for the period	**21,568,425**	12,041,640	**13,628,817**	5,639,177
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Net fair value (loss)/gain on investments designated at FVTOCI	**(13,217,726)**	12,208,653	**8,777,786**	1,718,437
(Loss)/gain on sale of investments designated at FVTOCI	**(49,731)**	3,580,276	**(381,608)**	2,109,477
Other comprehensive (loss)/income for the period	**(13,267,457)**	15,788,929	**8,396,178**	3,827,914
Total comprehensive income for the period	**8,300,968**	27,830,569	**22,024,995**	9,467,091

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

Condensed statement of changes in equity
for the nine months period ended 30 September 2017

	Share capital AED	Statutory reserve AED	General reserve AED	Cumulative changes in fair value of financial assets at FVTOCI AED	Property revaluation reserve AED	Retained earnings AED	Total AED
Balance at 31 December 2015 (audited)	100,000,000	24,585,878	20,740,718	(15,048,242)	11,205,588	40,722,148	182,206,090
Profit for the nine months period ended 30 September 2016	-	-	-	-	-	12,041,640	12,041,640
Other comprehensive income for the period	-	-	-	12,208,653	-	3,580,276	15,788,929
Total comprehensive income for the period	-	-	-	12,208,653	-	15,621,916	27,830,569
Transfer to retained earnings on sale of investments designated at FVTOCI	-	-	-	34,379,028	-	(34,379,028)	-
	-	-	-	34,379,028	-	(34,379,028)	-
Balance at 30 September 2016 (unaudited)	100,000,000	24,585,878	20,740,718	31,539,439	11,205,588	21,965,036	210,036,659
Balance at 31 December 2016 (audited)	100,000,000	26,322,915	22,477,755	32,126,810	11,205,588	22,426,250	214,559,318
Profit for the nine months period ended 30 September 2017	-	-	-	-	-	21,568,425	21,568,425
Other comprehensive loss for the period	-	-	-	(13,217,726)	-	(49,731)	(13,267,457)
Total comprehensive income for the period	-	-	-	(13,217,726)	-	21,518,694	8,300,968
Transfer to retained earnings on sale of investments designated at FVTOCI	-	-	-	163,616	-	(163,616)	-
Dividends (Note 15)	-	-	-	-	-	(10,000,000)	(10,000,000)
	-	-	-	163,616	-	(10,163,616)	(10,000,000)
Balance at 30 September 2017 (unaudited)	**100,000,000**	**26,322,915**	**22,477,755**	**19,072,700**	**11,205,588**	**33,781,328**	**212,860,286**

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

Condensed statement of cash flows (unaudited)
for the nine months period ended 30 September 2017

	Nine months period ended 30 September	
	2017	2016
	AED	AED
Cash flows from operating activities		
Profit for the period	**21,568,425**	12,041,640
Adjustments for:		
Depreciation of property and equipment	**1,663,433**	1,282,790
Gain on disposal of property and equipment	**-**	(10,100)
Provision for employees' end of service indemnity	**1,599,970**	1,058,246
Loss/(gain) on investments at FVTPL	**3,359,737**	(956,443)
Other investment income	**(7,772,251)**	(7,594,120)
Finance costs	**28,383**	317,764
Operating cash flow before changes in operating assets and liabilities	**20,447,697**	6,139,777
Decrease/(increase) in reinsurance contract assets	**26,343,918**	(28,733,081)
(Decrease)/increase in insurance contract liabilities	**(18,449,304)**	37,662,672
Increase in insurance and other receivables	**(9,216,734)**	(1,097,907)
Increase in insurance and other payables	**1,576,110**	7,264,118
Cash generated from operations	**20,701,687**	21,235,579
Employees' end of service indemnity paid	**(218,736)**	(807,963)
Finance costs paid	**(28,383)**	(317,764)
Net cash generated from operating activities	**20,454,568**	20,109,852
Cash flows from investing activities		
Purchase of property and equipment	**(6,217,671)**	(2,344,039)
Increase in investment in fixed deposits with maturity over 3 months	**(377,059)**	(4,263,673)
Purchase of investment in securities	**(64,373,509)**	(38,763,375)
Proceeds from disposal of investments	**44,866,744**	50,054,423
Proceeds from disposal of property and equipment	**-**	260,848
Interest received	**1,740,253**	1,139,908
Income from investment properties	**2,118,820**	2,375,318
Dividends received	**3,913,178**	4,078,894
Net cash (used in)/generated from investing activities	**(18,329,244)**	12,538,304
Cash flows from financing activities		
Repayment of bank borrowings	**(3,071,180)**	(6,106,241)
Dividends paid	**(10,000,000)**	-
Net cash used in financing activities	**(13,071,180)**	(6,106,241)
Net (decrease)/ increase in cash and cash equivalents	**(10,945,856)**	26,541,915
Cash and cash equivalents at the beginning of the period	**38,660,373**	7,641,574
Cash and cash equivalents at the end of the period (Note 16)	**27,714,517**	34,183,489

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

Notes to the condensed financial statements
for the nine months period ended 30 September 2017

1. General

Al Fujairah National Insurance Company P.S.C. (the "Company") is incorporated as a public joint stock company by Emiri Decree No. 3 issued by His Highness, The Ruler of Fujairah in October 1976. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, concerning formation of the Insurance Authority of U.A.E. and regulation of its operations and is registered in the Insurance Companies Register of the Insurance Authority of U.A.E. under registration number (11). The address of the Company's registered office is P.O. Box 277, Fujairah, United Arab Emirates.

The Company's ordinary shares are listed on Abu Dhabi Securities Exchange, United Arab Emirates.

The principal activity of the Company comprise of underwriting of all classes of general insurance and short term life insurance. The Company operates through its head office in Fujairah and branch offices in Dubai, Abu Dhabi, Sharjah and Dibba.

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

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

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

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

- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities

- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 *Disclosure of Interests in Other Entities*

2.2 New and revised IFRS in issue but not yet effective and not early adopted

The Company has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS	**Effective for annual periods beginning on or after**
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Investments in Associates and Joint Ventures (2015)*	1 January 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	1 January 2018

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS	Effective for annual periods beginning on or after
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:	1 January 2018

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

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS	Effective for annual periods beginning on or after
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

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

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

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

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

Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 *Leases*	1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS	Effective for annual periods beginning on or after
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely
IFRS 17 *Insurance contracts*. The standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts	1 January 2021

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 17, may have no material impact on the financial statements of the Company in the period of initial application.

The application of IFRS 9 and IFRS 17 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of the Company's financial assets and financial liabilities and insurance assets and insurance liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of this standard until the Company performs detailed review.

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, *"Interim Financial Reporting"* and also comply with the applicable requirements of the laws in the U.A.E.

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

These condensed financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and investment properties.

The accounting policies, presentation and methods in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2016.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended 31 December 2016.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2016. In addition, results for the nine months period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, certain accounting policies have been disclosed in these condensed financial statements.

3.2 Property and equipment

Capital work in progress is stated at cost, less any impairment loss. Depreciation of these assets, on the same basis as other property assets commences when the assets are ready for their intended use.

Other property and equipment are carried at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Summary of significant accounting policies (continued)

3.2 Property and equipment (continued)

The useful lives used in the calculation of depreciation of property and equipment, other than capital work in progress, are as follows:

	Years
Freehold property	30
Motor vehicles	5
Furniture and office equipment	4-5
Fujairah scrap yard improvements	10

3.3 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by valuations performed by independent valuers.

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 *Revenue*.

3. Summary of significant accounting policies (continued)

3.5 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.

For a financial asset that is a debt instrument to be measured at FVTOCI it must be held in a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

Investments in equity and debts 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 cumulative changes in fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to income statement, but is reclassified to retained earnings.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI.

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.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed financial statements requires management to make judgements, 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 judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the year ended 31 December 2016.

5. Property and equipment

- Property and equipment additions during the current period amounted to AED 6,217,671 (Nine months period ended 30 September 2016: AED 2,344,039).
- Carrying amount of property and equipment disposals during the current period amounted to AED Nil (Nine months period ended 30 September 2016: AED 250,748).
- Depreciation charges for the current period amounted to AED 1,663,433 (Nine months period ended 30 September 2016: AED 1,282,790).
- All the properties and equipment are located in U.A.E.

Notes to the condensed financial statements
for the nine months period ended 30 September 2017 (continued)

6. Investment properties

Investment properties represent fair value of two buildings and plots of land which are located in Fujairah, U.A.E.

The fair value of the Company's investment properties as at 31 December 2016 amounted to AED 91.09 million and have been arrived at on the basis of a valuation carried out by independent valuer who have appropriate qualifications and market experience in the valuation of properties in the United Arab Emirates.

The fair value was determined based on the net income model that reflects recent market rentals for similar properties in the same location and similar condition. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Management estimates that there has been no change in the fair value of investment properties during the nine months period ended 30 September 2017.

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 September 2017 (31 December 2016: Level 3).

7. Financial assets

The Company's financial investments at the end of reporting period are as follows:

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Financial investment designated at FVTOCI		
Quoted U.A.E. equity securities	**109,728,344**	123,131,772
Unquoted U.A.E. equity securities	**15,840,361**	15,840,361
Quoted debt instrument	**16,762,648**	-
Mutual funds	**4,737,024**	4,456,613
	147,068,377	143,428,746
Financial investments at FVTPL		
Quoted U.A.E. equity securities	**11,419,535**	12,179,595

The movements in investments in securities are as follows:

	Nine months period ended 30 September 2017 (unaudited) AED	Year ended 31 December 2016 (audited) AED
At fair value through other comprehensive income		
Fair value at the beginning of the period/year	**143,428,746**	142,493,654
Purchases during the period/year	**24,057,218**	15,760,938
Disposals during the period/year	**(7,199,861)**	(27,312,236)
Net (decrease)/ increase in fair value	**(13,217,726)**	12,486,390
Fair value at the end of the period/year	**147,068,377**	143,428,746

7. Financial assets (continued)

Investments at FVTOCI comprise of the following:

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Within U.A.E.	**145,221,353**	141,680,133
Outside U.A.E.	**1,847,024**	1,748,613
	147,068,377	143,428,746

The cumulative changes in fair value of financial assets designated at FVTOCI of AED 19,072,700 as at 30 September 2017 (unaudited), (31 December 2016: AED 32,126,810 (audited)) is shown under equity.

	Nine months period ended 30 September 2017 (unaudited) AED	Year ended 31 December 2016 (audited) AED
At fair value through profit or loss		
Fair value at the beginning of the period/year	**12,179,595**	6,645,332
Purchases during the period/year	**40,316,291**	43,895,906
Disposals during the period/year	**(37,588,877)**	(38,634,040)
Net (decrease)/ increase in fair value	**(3,487,474)**	272,397
Fair value at the end of the period/year	**11,419,535**	12,179,595

All financial investments at FVTPL are held in U.A.E.

Mutual funds comprise of investment in local and international funds which are administered by financial institutions domiciled in U.A.E.

8. Statutory deposit

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Statutory deposit maintained in accordance with Article 42 of U.A.E., Federal Law No. 6 of 2007	**10,000,000**	10,000,000

9. Insurance contract liabilities and re-insurance contract assets

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Gross		
Insurance contract liabilities:		
Claims reported unsettled	**66,144,101**	102,608,405
Claims incurred but not reported	**24,331,998**	21,401,000
Unearned premiums	**118,999,002**	103,915,000
Total insurance contract liabilities, gross	**209,475,101**	227,924,405
Recoverable from reinsurers		
Claims reported unsettled	**(34,992,809)**	(64,180,727)
Claims incurred but not reported	**(8,021,000)**	(8,209,000)
Unearned premiums	**(21,197,000)**	(18,165,000)
Total reinsurers' share of insurance liabilities	**(64,210,809)**	(90,554,727)
Net		
Claims reported unsettled	**31,151,292**	38,427,678
Claims incurred but not reported	**16,310,998**	13,192,000
Unearned premiums	**97,802,002**	85,750,000
	145,264,292	137,369,678

10. Bank balances and cash

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Bank balances:		
Call and current accounts	**11,443,869**	22,434,961
Fixed deposits	**73,435,502**	72,980,287
Cash on hand	**183,300**	216,220
	85,062,671	95,631,468

Bank balances are maintained with banks registered in United Arab Emirates.

Fixed deposits amounting to AED 2 million (31 December 2016: AED 2 million) are under lien in respect of bank credit facility granted to the Company (Note 12).

11. Share capital

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Issued and fully paid: 1,000,000 ordinary shares (2016: 1,000,000 ordinary shares) of AED 100 each	**100,000,000**	100,000,000

12. Bank Borrowings

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Loans	**-**	3,071,180

The bank borrowings are repayable as follows:

Within one year	**-**	3,071,180

The Company entered into a term loan agreement with a commercial bank registered in UAE to finance the construction of a property. The loan is secured by a mortgage on the Company's investment properties comprising residential building and the land on which it is erected with a total value of AED 59.40 million (2016: AED 59.40 million) in Fujairah, lien on fixed deposits in favour of the financing bank, assignment of rental income from the said building and issuance of promissory notes by the Company. The loan was settled completely during the current period.

13. Net insurance premium revenue

	Nine months period ended 30 September		**Three months period ended 30 September**	
	2017 (unaudited) AED	2016 (unaudited) AED	**2017 (unaudited) AED**	2016 (unaudited) AED
Gross premium written				
Gross premium written	**174,964,712**	159,358,435	**50,908,471**	45,395,498
Change in unearned premium	**(15,084,002)**	(17,033,000)	**5,409,898**	4,411,000
	159,880,710	142,325,435	**56,318,369**	49,806,498
Reinsurance premium ceded				
Reinsurance premium ceded	**(40,348,563)**	(42,258,183)	**(10,368,266)**	(11,172,229)
Change in unearned premium	**3,032,000**	5,760,000	**(2,490,900)**	(1,437,000)
	(37,316,563)	(36,498,183)	**(12,859,166)**	(12,609,229)
Net insurance premium revenue	**122,564,147**	105,827,252	**43,459,203**	37,197,269

14. Basic earnings per share

	Nine months period ended 30 September		Three months period ended 30 September	
	2017 (unaudited)	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Profit for the period (in AED)	**21,568,425**	12,041,640	**13,628,817**	5,639,177
Weighted average number of shares (Share)	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Basic earnings per share (in AED)	**21.57**	12.04	**13.63**	5.64

15. Dividends

The Shareholders' General Assembly held on 09 April 2017 approved the payment of cash dividends at 10% of share capital amounting to AED 10 million for the year 2016 (2016: the Shareholders' General Assembly resolved that no dividends would be paid for the year 2015).

16. Cash and cash equivalents

	30 September 2017 (unaudited) AED	30 September 2016 (unaudited) AED
Bank balances and cash (Note 10)	**85,062,671**	89,981,573
Fixed deposits under lien	**(2,000,000)**	(2,000,000)
Fixed deposits with original maturity over 3 months	**(55,348,154)**	(53,798,084)
	27,714,517	34,183,489

17. Segment information

The Company is organised into two main business segments: Underwriting and Investments.

Underwriting of general insurance business incorporates all classes of general insurance including fire, marine, motor, medical, general accident and miscellaneous. All underwriting activities are carried out in the UAE except for re-insurance which is done principally with companies outside U.A.E.

Investments segment include investments in U.A.E. comprising of marketable equity securities, fixed deposits with banks and investment properties.

These segments are on the basis on which the Company reports its primary segment information to the Board of Directors.

17. Segment information (continued)

	For the nine months period ended 30 September 2017			For the nine months period ended 30 September 2016		
	Underwriting (unaudited) AED	**Investments (unaudited) AED**	**Total (unaudited) AED**	Underwriting (unaudited) AED	Investments (unaudited) AED	Total (unaudited) AED
Net insurance premium revenue	**122,564,147**	**-**	**122,564,147**	105,827,252	-	105,827,252
Net claims incurred	**(73,167,866)**	**-**	**(73,167,866)**	(74,088,123)	-	(74,088,123)
Net commission incurred	**(4,083,423)**	**-**	**(4,083,423)**	(2,105,047)	-	(2,105,047)
Income from investment and others	**-**	**4,412,514**	**4,412,514**	-	8,560,663	8,560,663
Segment result	**22,810,007**	**4,412,514**	**27,222,521**	8,965,809	8,560,663	17,526,472
Unallocated expenses			**(5,654,096)**			(5,484,832)
Profit for the period			**21,568,425**			12,041,640

	As of 30 September 2017			As of 31 December 2016		
	Underwriting (unaudited) AED	**Investments (unaudited) AED**	**Total (unaudited) AED**	Underwriting (audited) AED	Investments (audited) AED	Total (audited) AED
Segment assets	**146,367,559**	**323,008,414**	**469,375,973**	158,940,505	319,673,628	478,614,133
Unallocated assets			**11,627,169**			22,651,181
Total assets			**481,003,142**			501,265,314
Segment liabilities	**255,381,770**	**-**	**255,381,770**	272,254,964	3,071,180	275,326,144
Unallocated liabilities			**12,761,086**			11,379,852
Total liabilities			**268,142,856**			286,705,996

There are no transactions between the business segments.

18. Related party balances and transactions

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, their shareholder and key management personnel.

At the reporting date, amounts due from/to related parties included under insurance and other receivables and under insurance contract liabilities, respectively, were as follows:

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Due from policy holders	**1,762,099**	1,356,695
Gross outstanding claims	**1,379,000**	70,050

The amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been received and no allowance has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions:

All related party transactions are carried on terms approved by the management as per the Company's policy for intercompany transactions. During the period, the Company entered into the following transactions with related parties:

	Nine months period ended 30 September		**Three months period ended 30 September**	
	2017 (unaudited) AED	2016 (unaudited) AED	**2017 (unaudited) AED**	2016 (unaudited) AED
Gross premium	**9,048,658**	17,075,982	**1,769,293**	1,979,542
Claims paid	**1,065,931**	1,532,649	**164,110**	457,767

Compensations of key management staff and Board of Directors

	Nine months period ended 30 September		**Three months period ended 30 September**	
	2017 (unaudited) AED	2016 (unaudited) AED	**2017 (unaudited) AED**	2016 (unaudited) AED
Key management staff:				
Short-term benefits	**6,689,394**	5,918,427	**1,900,529**	1,523,098
Long-term benefits	**706,154**	452,542	**83,529**	81,058
Board of directors' meeting allowance	**731,250**	746,250	**243,750**	258,750

19. Seasonality of results

Income from investments and others includes dividends income of AED 3,913,178 for the nine months period ended 30 September 2017 (Nine months period ended 30 September 2016: AED 4,078,894), which is of a seasonal nature.

20. Commitments and contingent liabilities

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Letters of guarantee	**13,937,795**	10,910,657
Capital commitments	**1,119,908**	1,400,000

21. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial and non-financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2016.

Notes to the condensed financial statements
for the nine months period ended 30 September 2017 (continued)

21. Fair value measurement (continued)

Fair value of the Company's financial assets that are measured at fair value on recurring basis

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED				
Quoted equity investments – FVTOCI	**109,728,344**	123,131,772	Level 1	Quoted bid prices in an active market.	None.	NA
Quoted debts instrument	**16,762,648**	**-**	Level 1	Quoted bid prices in an active market.	None.	NA
Mutual funds	**4,737,024**	4,456,613	Level 3	Adjusted net assets valuation method after adjusting for certain components in financial information of underlying companies.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Unquoted equity investments – FVTOCI	**15,840,361**	15,840,361	Level 3	Adjusted net assets valuation method after adjusting for certain components in financial information of underlying companies.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Quoted equity investments – FVTPL	**11,419,535**	12,179,595	Level 1	Quoted bid prices in an active market.	None.	NA

21. Fair value measurement (continued)

Fair value measurements recognised in the condensed statement of financial position

The following table provides an analysis of financial assets and non-financial assets that are measured subsequent to initial recognition at fair value, grouped 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 September 2017 (unaudited)

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
Financial assets at FVTPL				
Quoted equities	**11,419,535**	**-**	**-**	**11,419,535**
Financial assets at FVTOCI				
Quoted equities	**109,728,344**	**-**	**-**	**109,728,344**
Quoted debt instruments	**16,762,648**	**-**	**-**	**16,762,648**
Mutual funds	**-**	**-**	**4,737,024**	**4,737,024**
Unquoted equities	**-**	**-**	**15,840,361**	**15,840,361**
Investment properties	**-**	**-**	**91,085,000**	**91,085,000**
	137,910,527	**-**	**111,662,385**	**249,572,912**

31 December 2016 (audited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTPL				
Quoted equities	12,179,595	-	-	12,179,595
Financial assets at FVTOCI				
Quoted equities	123,131,772	-	-	123,131,772
Mutual funds	-	-	4,456,613	4,456,613
Unquoted equities	-	-	15,840,361	15,840,361
Investment properties	-	-	91,085,000	91,085,000
	135,311,367	-	111,381,974	246,693,341

There was no transfer between the levels during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

22. Approval of condensed financial statements

The condensed financial statements were approved and authorised for issue on 14 November 2017.