

**AL BUHAIRA NATIONAL INSURANCE COMPANY P.S.C.  
AND ITS SUBSIDIARY**

**Review report and consolidated interim financial information  
For the six months period ended 30 June 2018**

## **Al Buhaira National Insurance Company P.S.C. and its Subsidiary**

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## REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of **Al Buhaira National Insurance Company P.S.C. (a Public Shareholding Company) (the "Company") and its Subsidiary (together referred to as the "Group") - Sharjah, United Arab Emirates** as at 30 June 2018 and the related condensed consolidated statement of income, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this consolidated 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 consolidated 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 consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: "*Interim Financial Reporting*".

Deloitte & Touche (M.E.)



Signed by:  
Samir Madbak  
Registration No. 386  
9 August 2018  
Sharjah, United Arab Emirates

**Condensed consolidated statement of financial position**  
**At 30 June 2018**

	Notes	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	4,921,300	4,551,314
Investment properties	5	920,540,601	920,540,601
Investments in securities	6	49,533,370	54,130,626
Statutory deposit	7	10,000,000	10,000,000
<b>Total non-current assets</b>		<b>984,995,271</b>	<b>989,222,541</b>
<b>Current assets</b>			
Reinsurance contract assets	8	275,258,260	236,351,384
Insurance and other receivables	9	342,735,312	328,993,672
Bank balances and cash	10	202,587,907	202,286,221
<b>Total current assets</b>		<b>820,581,479</b>	<b>767,631,277</b>
<b>Total assets</b>		<b>1,805,576,750</b>	<b>1,756,853,818</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	250,000,000	250,000,000
Statutory reserve		111,467,989	111,467,989
Voluntary reserve		200,000,000	200,000,000
Cumulative changes in fair value		(15,429,720)	(5,975,607)
Retained earnings		92,205,542	108,189,775
<b>Total equity</b>		<b>638,243,811</b>	<b>663,682,157</b>
<b>Non-current liabilities</b>			
Provision for employees' end of service indemnity		35,886,685	34,080,440
Bank borrowings	12	330,297,787	361,570,797
<b>Total non-current liabilities</b>		<b>366,184,472</b>	<b>395,651,237</b>
<b>Current liabilities</b>			
Insurance contract liabilities	8	481,405,499	459,052,971
Insurance and other payables		183,559,151	160,296,451
Bank borrowings	12	136,183,817	78,171,002
<b>Total current liabilities</b>		<b>801,148,467</b>	<b>697,520,424</b>
<b>Total liabilities</b>		<b>1,167,332,939</b>	<b>1,093,171,661</b>
<b>Total equity and liabilities</b>		<b>1,805,576,750</b>	<b>1,756,853,818</b>

  
**Managing Director**

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

**Condensed consolidated statement of income (unaudited)**  
**For the six months period ended 30 June 2018**

	Notes	Three months period ended		Six months period ended	
		30 June		30 June	
		2018	2017	2018	2017
		AED	AED	AED	AED
Insurance premium revenue	13	124,224,789	134,245,015	246,953,844	263,079,753
Insurance premium ceded to reinsurers	13	(69,741,024)	(63,051,344)	(132,214,467)	(115,695,684)
<b>Net insurance premium revenue</b>	<b>13</b>	<b>54,483,765</b>	<b>71,193,671</b>	<b>114,739,377</b>	<b>147,384,069</b>
Gross claims incurred		(75,465,564)	(62,360,837)	(150,048,605)	(178,999,436)
Insurance claims recovered from reinsurers		33,990,409	1,911,163	57,329,538	48,470,561
<b>Net claims incurred</b>		<b>(41,475,155)</b>	<b>(60,449,674)</b>	<b>(92,719,067)</b>	<b>(130,528,875)</b>
Gross commission earned		11,254,436	9,648,246	30,913,931	34,157,867
Less: commission paid		(6,903,664)	(5,978,869)	(12,687,018)	(11,721,299)
<b>Net commission earned</b>		<b>4,350,772</b>	<b>3,669,377</b>	<b>18,226,913</b>	<b>22,436,568</b>
<b>Underwriting profit</b>		<b>17,359,382</b>	<b>14,413,374</b>	<b>40,247,223</b>	<b>39,291,762</b>
General and administrative expenses relating to underwriting activities		(11,748,393)	(10,985,545)	(24,590,659)	(23,378,752)
<b>Net underwriting profit</b>		<b>5,610,989</b>	<b>3,427,829</b>	<b>15,656,564</b>	<b>15,913,010</b>
Investment and other income		13,229,411	14,263,550	27,606,524	30,218,458
Finance costs		(5,125,116)	(4,003,506)	(9,771,974)	(7,630,490)
Unallocated general and administrative expenses		(1,686,363)	(2,975,030)	(2,806,947)	(3,818,657)
<b>Profit for the period</b>		<b>12,028,921</b>	<b>10,712,843</b>	<b>30,684,167</b>	<b>34,682,321</b>
<b>Basic earnings per share</b>	<b>14</b>	<b>0.05</b>	<b>0.04</b>	<b>0.12</b>	<b>0.14</b>

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

**Condensed consolidated statement of comprehensive income (unaudited)**  
**For the six months period ended 30 June 2018**

	Three months period ended		Six months period ended	
	2018	30 June 2017	2018	30 June 2017
	AED	AED	AED	AED
<b>Profit for the period</b>	<b>12,028,921</b>	<b>10,712,843</b>	<b>30,684,167</b>	<b>34,682,321</b>
<b>Other comprehensive loss</b>				
<i>Items that maybe reclassified subsequently to profit or loss:</i>				
Unrealised loss on revaluation of available-for-sale investments	-	(522,607)	-	(641,264)
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Decrease in fair value of investments carried at FVOCI	(1,564,615)	-	(3,662,190)	-
Gain on sale of investment carried at FVOCI	-	-	250,153	-
Transfer to condensed consolidated statement of income on sale of available-for-sale investments	-	113,698	-	120,328
<b>Other comprehensive loss for the period</b>	<b>(1,564,615)</b>	<b>(408,909)</b>	<b>(3,412,037)</b>	<b>(520,936)</b>
<b>Total comprehensive income for the period</b>	<b>10,464,306</b>	<b>10,303,934</b>	<b>27,272,130</b>	<b>34,161,385</b>

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

**Condensed consolidated statement of changes in equity  
For the six months period ended 30 June 2018**

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Cumulative changes in fair value AED	Retained earnings AED	Total AED
Balance at 31 December 2016 (audited)	250,000,000	106,244,531	200,000,000	(9,569,097)	87,578,649	634,254,083
Profit for the period	-	-	-	-	34,682,321	34,682,321
Other comprehensive loss for the period	-	-	-	(520,936)	-	(520,936)
Total comprehensive income for the period	-	-	-	(520,936)	34,682,321	34,161,385
Board of Directors' remuneration (Note 17.3)	-	-	-	-	(1,400,000)	(1,400,000)
Dividends (Note 20)	-	-	-	-	(25,000,000)	(25,000,000)
Balance at 30 June 2017 (unaudited)	250,000,000	106,244,531	200,000,000	(10,090,033)	95,860,970	642,015,468
Balance at 31 December 2017 (audited)	250,000,000	111,467,989	200,000,000	(5,975,607)	108,189,775	663,682,157
Impact on adoption of IFRS 9 (Note 2.1)	-	-	-	-	(26,310,476)	(26,310,476)
Transfer within equity on adoption of IFRS 9	-	-	-	(5,783,989)	5,783,989	-
Restated balance at 1 January 2018	250,000,000	111,467,989	200,000,000	(11,759,596)	87,663,288	637,371,681
Profit for the period	-	-	-	-	30,684,167	30,684,167
Other comprehensive loss for the period	-	-	-	(3,662,190)	250,153	(3,412,037)
Total comprehensive income for the period	-	-	-	(3,662,190)	30,934,320	27,272,130
Transfer to retained earnings on sale of investments at FVOCI	-	-	-	(7,934)	7,934	-
Board of Directors' remuneration (Note 17.3)	-	-	-	-	(1,400,000)	(1,400,000)
Dividends (Note 20)	-	-	-	-	(25,000,000)	(25,000,000)
<b>Balance at 30 June 2018 (unaudited)</b>	<b>250,000,000</b>	<b>111,467,989</b>	<b>200,000,000</b>	<b>(15,429,720)</b>	<b>92,205,542</b>	<b>638,243,811</b>

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

**Condensed consolidated statement of cash flows (unaudited)**  
**For the six months period ended 30 June 2018**

	<b>Six months period ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>AED</b>	<b>AED</b>
<b>Cash flows from operating activities</b>		
Profit for the period	30,684,167	34,682,321
Adjustments for:		
Depreciation of property and equipment	510,813	955,687
Interest income on deposits	(3,762,540)	(2,125,493)
Dividend income	(1,293,518)	(1,028,133)
Net rental income from investment properties	(22,524,744)	(26,742,533)
Gain on disposal of property and equipment	(1,010)	-
Gain on sale of available-for-sale investments	-	(288,202)
Provision for employees' end of service indemnity	2,121,205	2,140,127
Finance costs	9,771,974	7,630,490
	<hr/>	<hr/>
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>15,506,347</b>	<b>15,224,264</b>
Increase in insurance and other receivables	(40,052,116)	(22,544,537)
(Increase)/ decrease in reinsurance contract assets	(38,906,876)	930,795
Increase/(decrease) in insurance contract liabilities	22,352,528	(5,200,180)
Increase/(decrease) in insurance and other payables	23,262,700	(4,883,121)
Increase in statutory deposit	-	(4,000,000)
	<hr/>	<hr/>
<b>Cash used in operating activities</b>	<b>(17,837,417)</b>	<b>(20,472,779)</b>
Employees' end of service indemnity paid	(314,960)	(612,000)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(18,152,377)</b>	<b>(21,084,779)</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Decrease in fixed deposits with banks under lien or with a maturity after three months	46,950,260	1,119,013
Increase in margin deposits	(300,000)	-
Purchase of investments	(1,985,476)	(9,460,264)
Proceeds from sale of investments	3,170,695	9,173,815
Purchase of property and equipment	(880,799)	(873,990)
Proceeds from property and equipment	1,010	-
Interest received	3,762,540	2,125,493
Dividends received	1,293,518	1,028,133
Income proceeds from investment property	22,524,744	26,742,533
	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>	<b>74,536,492</b>	<b>29,854,733</b>
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The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of cash flows (unaudited)**  
**For the six months period ended 30 June 2018 (continued)**

	<b>Six months period ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>AED</b>	<b>AED</b>
<b>Cash flows from financing activities</b>		
Increase in bank borrowings - net	<b>26,739,805</b>	11,477,408
Dividends paid	<b>(25,000,000)</b>	(25,000,000)
Board of Directors' remuneration	<b>(1,400,000)</b>	(1,400,000)
Finance costs paid	<b>(9,771,974)</b>	(7,630,490)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(9,432,169)</b>	(22,553,082)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>46,951,946</b>	(13,783,128)
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	<b>11,230,780</b>	29,407,087
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period (Note 15)</b>	<b>58,182,726</b>	15,623,959
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The accompanying notes form an integral part of these condensed consolidated financial statements.

## Notes to the condensed consolidated financial statements For the six months period ended 30 June 2018

### 1. General information

Al Buhaira National Insurance Company P.S.C. (the “Company”) is incorporated as a public shareholding company by an Emiri Decree issued by His Highness, The Ruler of Sharjah on 16 May 1978. The Company is subject to the regulations of UAE Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of U.A.E. and is registered in the Insurance Companies register of Insurance Authority of U.A.E. under registration Number 15. The “Group” is comprised of the Company and its subsidiary (Note 3.5). The address of the Company’s registered corporate office is P.O. Box 6000, Sharjah, United Arab Emirates.

The principal activity of the Company is the writing of insurance of all types - other than savings and accumulation of funds. The Company operates through its head office in Sharjah and has branches in Dubai, Abu Dhabi, Al Ain, Khorfakkan, Fujairah and Ajman.

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

#### 2.1 New and revised IFRS applied

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these condensed consolidated financial information. 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, except for IFRS 9 adoption.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.
- 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.
- 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.
  - Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.
  - Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.
  - 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.

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

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

**2.1 New and revised IFRS applied (continued)**

- Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.
- IFRS 15 *Revenue from Contracts with Customers*

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.

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.

Impact assessment of IFRS 15 *Revenue from Contracts with Customers*

The application of IFRS 15 from the annual period beginning 1 January 2018 will not have an impact on the Group's condensed consolidated financial information.

- 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.
- IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

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' measurement category for certain simple debt instruments.

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognized in the condensed financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by transitional provisions of IFRS 9, the Group elected not to restate the comparative figures. Any adjustments to carrying amount of financial assets and liabilities at the date of transitions were recognized in opening retained earnings and other reserves of the current period.

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

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

**2.1 New and revised IFRS applied (continued)**

- IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014) (continued)

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'. Comparatives for condensed consolidated statement of cash flows are not affected on account of this adoption of IFRS 9.

There were no changes to the classification and measurement of financial liabilities.

**Significant accounting policies introduced on adoption of IFRS 9**

**Classification and measurement - Financial assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVOCI);
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:
  - the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
  - the Group may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

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

**2.1 New and revised IFRS applied (continued)**

**Significant accounting policies introduced on adoption of IFRS 9 (continued)**

**Equity instruments at FVOCI**

Investments in equity instruments/funds at FVOCI 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. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments in equity instruments/funds, but reclassified to retained earnings. The Group has designated all investments in equity instruments that are not held for trading as FVOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

**Debt instruments at amortised cost or at FVOCI**

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business models. When a debt instrument measured at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. Debt instruments that are subsequently measured at amortised cost or at FVOCI are subject to impairment.

**Financial assets at FVTPL**

Financial assets at FVTPL are:

- (i) assets with contractual cash flows that are not SPPI; or/and
- (ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- (iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

**Notes to the condensed consolidated financial statements**  
**For the six months period ended 30 June 2018 (continued)**

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

**2.1 New and revised IFRS applied (continued)**

**Significant accounting policies introduced on adoption of IFRS 9 (continued)**

**Financial assets at FVTPL (continued)**

Fair value option: A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an “accounting mismatch”).

**Reclassifications**

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group’s financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

**Impairment**

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an expected credit loss model (ECLs). The Group recognises loss allowances for expected credit losses on bank balances including statutory and fixed deposits and insurance and other receivables that are not measured at FVTPL.

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group has elected to measure loss allowances for bank balances including statutory and fixed deposits, insurance and other receivables at an amount equal to life time ECLs.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets.

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

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

**2.1 New and revised IFRS applied (continued)**

**Significant accounting policies introduced on adoption of IFRS 9 (continued)**

**Impairment (continued)**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Group's historical experience and informed credit assessment and including forward-looking information.

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to bank balances including statutory and fixed deposits and insurance and other receivables are presented separately in the condensed consolidated statement of income.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

**Measurement of ECL**

The Group reassessed its impairment loss on its insurance and other receivables portfolio using an expected loss measurement basis using the simplified approach and observed materials changes in the impairment loss on such assets.

**Credit-impaired financial assets**

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Company assesses whether financial assets carried at amortised costs are credit-impaired.

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

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

**2.1 New and revised IFRS applied (continued)**

**Significant accounting policies introduced on adoption of IFRS 9 (continued)**

**Impact on condensed consolidated financial statements**

The following table reconciles the carrying amounts in accordance with IAS 39 with those under IFRS 9 for the Company's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	Remeasurement	New carrying Amount under IFRS 9
			AED	AED	AED
<b>Financial assets</b>					
Insurance and other receivables (a)	Loans and receivables	Amortised costs	328,993,672	(26,310,476)	302,683,196
Investment securities – equity (b)	Available for sale	FVOCI - equity	54,130,626	-	54,130,626
Bank balances including statutory and fixed deposits (a)	Loans and receivables	Amortised costs	202,286,221	-	202,286,221

- a) Insurance and other receivables and bank balances including statutory and fixed deposits, that were classified as loans and receivables under IAS 39 are now classified as amortised cost. An increase of AED 26,310,476, in the provision for impairment over insurance and other receivable balances was recognized at 1 January 2018 on adoption of IFRS 9.
- b) Investments in equity were classified as available-for-sale securities earlier and are classified as FVOCI - equity as per IFRS 9.

The impact from the adoption of the final phase of IFRS 9 as at 1 January 2018 has been to decrease retained earnings by AED 20,526,487.

	<b>Retained earnings AED</b>
Closing balance under IAS 39 as at 31 December 2017	108,189,775
Impact on recognition of Expected Credit Losses - Insurance and other receivables	(26,310,476)
Impact of previously impaired equity investments transferred to cumulative change in fair value reserve	5,783,989
<b>Opening balance as at 1 January 2018 as per IFRS 9</b>	<b>87,663,288</b>

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

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

**2.1 New and revised IFRS applied (continued)**

**Significant accounting policies introduced on adoption of IFRS 9 (continued)**

**Impact on condensed consolidated financial statements (continued)**

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

	<b>AED</b>
<b>Loss allowance as at 31 December 2017 under IAS 39</b>	30,297,042
Additional impairment recognized at 1 January 2018 on Insurance and other receivables	26,310,476
<b>Loss allowance as at 1 January 2018 as per IFRS 9</b>	<b>56,607,518</b>

**Critical judgments in applying IFRS 9**

- Models and assumptions used:

The Group uses certain models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

**2.2 New and revised IFRS in issue but not yet effective**

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

<u><b>New and revised IFRSs</b></u>	<u><b>Effective for annual periods beginning on or after</b></u>
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3 <i>Business Combinations</i> , IFRS 11 <i>Joint Arrangements</i> , IAS 12 <i>Income Taxes</i> and IAS 23 <i>Borrowing Costs</i> .	1 January 2019

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

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

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

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

IFRIC 23 Uncertainty over Income Tax Treatments

1 January 2019

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

1 January 2019

IFRS 16 *Leases*

1 January 2019

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

Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

1 January 2019

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

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

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

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

*IFRS 17 Insurance Contracts*

1 January 2021

IFRS 17 requires insurance liabilities to be measured at a current fulfillment 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. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

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. Adoption is still permitted.

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

Management anticipates that IFRS 17 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2021. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

**3. Summary of significant accounting policies**

**3.1 Basis of preparation**

These condensed consolidated 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 Group is in the process of aligning the operations with the requirement of the regulations relating to investment operations and meeting solvency requirements.

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

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

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)****3. Summary of significant accounting policies (continued)****3.1 Basis of preparation (continued)**

The accounting policies, presentation and methods in these condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2017, except for the adoption of IFRS 9 which is disclosed in note 2.1 to these condensed consolidated financial statements.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2017. In addition, results for the six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

*3.1.1 Judgements and estimates*

Preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that effect 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 consolidated financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited consolidated financial statements as at and for the year ended 31 December 2017, in addition to the critical judgement disclosed in note 2.1 to the adoption of IFRS 9.

*3.1.2 Financial risk management*

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2017.

The accounting policies in respect of investment properties, investment in securities and property and equipment are disclosed in these condensed consolidated financial statements as required by Securities and Commodities Authority ("SCA") notification dated 12 October 2008.

**3.2 Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation including property under construction for such purposes. Investment property is initially recognised at cost, including transaction expense. Subsequent to initial recognition, investment property is carried at fair value.

Fair value of the investment property is determined on the basis of valuation undertaken by independent valuator who holds a recognised and relevant qualification and has recent experience in the location and category of investment property being valued.

**Notes to the condensed consolidated financial statements**  
**For the six months period ended 30 June 2018 (continued)**

**3. Summary of significant accounting policies (continued)**

**3.2 Investment properties (continued)**

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognised either when they have been disposed of (i.e. the risks and rewards and title of ownership of the property are transferred outside the Group) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains or losses arising from changes in the fair value of investment property are included in the condensed consolidated statement of income.

If an investment property becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

**3.3 Property and equipment**

Property and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are charged to the consolidated income statement during the financial period they are incurred.

The asset's residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

Land is stated at its cost and is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Furniture and equipment	5
Computer equipment	5
Office fixture and fittings	10
Manager's residential villa	15

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

**3. Summary of significant accounting policies (continued)**

**3.4 Available-for-sale investments**

These accounting policies are for the comparative figures. Refer to note 2.1 for the accounting policies introduced on adoption of IFRS 9.

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments held by the Group comprise equity investments that are quoted and traded in active markets and unquoted shares that are not traded in active markets but management considers that fair value can be reliably measured.

Available-for-sale investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the fair value reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in net investment income, or the investment is determined to be impaired, then the cumulative loss is reclassified from the fair value reserve to the condensed consolidated statement of income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of income as part of net investment income. Dividends on available-for-sale equity instruments are recognised in the condensed consolidated statement of income as part of net investment income when the Group's right to receive payments is established.

The Group assesses at the end of each reporting period whether there is objective evidence that the available-for-sale investments are impaired. A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the condensed consolidated statement of income on equity instruments are not reversed through the condensed consolidated statement of income.

**3.5 Basis of consolidation**

The condensed consolidated financial statements incorporate the condensed financial statements of the Company and the entity controlled by the Company (its subsidiary) (the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses and profits and losses resulting from the intra-company transactions that are recognised in assets, are eliminated in full on consolidation.

The results of operations of a subsidiary acquired or disposed off during the period are included in the condensed consolidated statement of income from the effective date of acquisition or up to effective date of disposal, as appropriate.

Where necessary, adjustments are made to the condensed financial statements of the subsidiary to bring the accounting policies into line with those used by the Company.

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

**3. Summary of significant accounting policies (continued)**

**3.5 Basis of consolidation (continued)**

Details of the Company's subsidiary at 30 June 2018 are as below:

<b>Name of Subsidiary</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest and voting power held</b>	<b>Principal activity</b>
Al Buhaira Economic Investments Establishment	Sharjah, U.A.E.	100%	Investing in economic projects.

**4. Property and equipment**

During the period, additions to property and equipment amounted to AED 880,799 (six months period ended 30 June 2017: AED 873,990) and depreciation charges for the six months period ended 30 June 2018 amounted to AED 510,813 (six months period ended 30 June 2017: AED 955,687).

All property and equipment is located in U.A.E.

**5. Investment properties**

Investment properties with a fair value of AED 872 million (31 December 2017: AED 872 million) were mortgaged to a bank towards credit facilities granted to the Group (Note 12).

The fair value of the Group's investment properties as at 31 December 2017 were arrived at on the basis of valuations carried by independent valuers who were not related to the Group, and have appropriate qualifications and recent market experience in the valuation of properties in the United Arab Emirates.

The fair value of land was determined based on acceptable approach that reflects recent transaction prices for similar properties. The fair value of buildings was determined based on using investment method. 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 the investment properties during the six months period ended 30 June 2018

The rental proceeds from Al Khan, Al Nahda and Buhairah Corniche Tower are assigned to a bank against credit facilities granted to the Group (Note 12).

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 June 2018 (31 December 2017: Level 3).

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

**6. Investment in securities**

	<b>30 June 2018 (unaudited) AED</b>	<b>31 December 2017 (audited) AED</b>
<b>Equity at FVOCI</b>		
Quoted – at fair value	31,724,840	-
Unquoted – at fair value	17,808,530	-
	<u>49,533,370</u>	<u>-</u>
	<u>49,533,370</u>	<u>-</u>
In U.A.E.	45,399,405	-
In other GCC countries	4,133,965	-
	<u>49,533,370</u>	<u>-</u>
	<u>49,533,370</u>	<u>-</u>
<b>Equity at available-for-sale</b>		
Quoted – at fair value	-	36,322,096
Unquoted – at fair value	-	17,808,530
	<u>-</u>	<u>54,130,626</u>
	<u>-</u>	<u>54,130,626</u>
In U.A.E.	-	49,996,661
In other GCC countries	-	4,133,965
	<u>-</u>	<u>54,130,626</u>
	<u>-</u>	<u>54,130,626</u>

As required by the circular No. 411/2018 dated 7 July 2018 at reporting date, investment in securities includes investment amounting to AED 8,437,500 with the Abraaj Group.

**7. Statutory deposit**

In accordance with the requirements of Federal Law No. 6 of 2007, on Establishment of Insurance Authority of U.A.E. and Organisation of its operations, the Group maintains a bank deposit of AED 10,000,000 (31 December 2017: AED 10,000,000) as a statutory deposit.

Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)

8. Insurance contract liabilities and reinsurance contract assets

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
<b>Insurance contract liabilities - gross</b>		
- Claims reported unsettled	178,873,035	189,440,280
- Claims incurred but not reported	50,893,434	53,906,363
- Unallocated loss adjustment expense reserve	2,806,399	2,972,530
- Unearned premiums	248,832,631	212,733,798
	<u>481,405,499</u>	<u>459,052,971</u>
<b>Recoverable from reinsurers</b>		
- Claims reported unsettled	105,432,426	102,274,706
- Claims incurred but not reported	20,172,636	19,893,760
- Unallocated loss adjustment expense reserve	-	200
- Unearned premiums	149,653,198	114,182,718
	<u>275,258,260</u>	<u>236,351,384</u>
<b>Insurance contract liabilities - net</b>		
- Claims reported unsettled	73,440,609	87,165,574
- Claims incurred but not reported	30,720,798	34,012,603
- Unallocated loss adjustment expense reserve	2,806,399	2,972,330
- Unearned premiums	99,179,433	98,551,080
	<u>206,147,239</u>	<u>222,701,587</u>

9. Insurance and other receivables

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
<b>Receivables arising from insurance and reinsurance contracts</b>		
Due from policyholders	270,727,260	217,213,879
Due from reinsurance companies	16,198,683	25,034,381
Due from insurance companies	84,971,904	97,212,426
Provision for credit loss	(56,607,518)	(30,297,042)
	<u>315,290,329</u>	<u>309,163,644</u>
<b>Other receivables</b>		
Staff receivables	2,772,856	2,810,492
Rent receivable	5,515,296	6,248,657
Prepayments and others	19,156,831	10,770,879
	<u>342,735,312</u>	<u>328,993,672</u>

**Notes to the condensed consolidated financial statements**  
**For the six months period ended 30 June 2018 (continued)**

**9. Insurance and other receivables (continued)**

	<b>30 June 2018 (unaudited) AED</b>	31 December 2017 (audited) AED
<b>Movement in provision for credit loss:</b>		
Balance at the beginning of the period/ year	30,297,042	25,797,042
Initial application of IFRS 9 (note 2.1)	26,310,476	-
Allowance made during the period/ year	-	4,500,000
	<u>56,607,518</u>	<u>30,297,042</u>

**10. Bank balances and cash**

	<b>30 June 2018 (unaudited) AED</b>	31 December 2017 (audited) AED
Cash on hand	82,900	142,365
Bank balances:		
Current accounts	7,492,960	6,949,941
Call accounts	1,887,995	4,138,474
Margin deposits	873,000	573,000
Fixed deposits	192,251,052	190,482,441
	<u>202,587,907</u>	<u>202,286,221</u>

Fixed deposits amounting to AED 36.74 million (31 December 2017: AED 36.34 million) are under lien in respect of bank credit facilities granted to the Group (Note 12). All fixed deposits are held in local banks in the United Arab Emirates.

**11. Share capital**

	<b>30 June 2018 (unaudited) AED</b>	31 December 2017 (audited) AED
Issued and fully paid:		
250,000,000 ordinary shares of AED 1 each (31 December 2017: 250,000,000 ordinary shares of AED 1 each)	250,000,000	250,000,000

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

**12. Bank borrowings**

	<b>30 June 2018 (unaudited) AED</b>	31 December 2017 (audited) AED
Bank overdraft	65,976,816	18,958,315
Term loans	400,504,788	420,783,484
	<u>466,481,604</u>	<u>439,741,799</u>
Bank borrowings are repayable as follows:		
On demand or within one year	136,183,817	78,171,002
In the second year	75,046,030	70,879,360
In the third and subsequent years	255,251,757	290,691,437
	<u>466,481,604</u>	<u>439,741,799</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(136,183,817)</u>	<u>(78,171,002)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>330,297,787</u>	<u>361,570,797</u>

Main features of bank borrowings:

- Bank loans are obtained to finance the construction of investment properties.
- Bank overdraft is payable on demand.

At 30 June 2018, bank borrowings were secured by lien on fixed deposits amounting to AED 36.74 million (31 December 2017: AED 36.34 million) and mortgage of investment properties with fair value of AED 872 million (31 December 2017: AED 872 million) and assignment of rental proceeds from certain investments properties.

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

**13. Net insurance premium revenue**

	Three months period ended 30 June		Six months period ended 30 June	
	2018 (unaudited) AED	2017 (unaudited) AED	2018 (unaudited) AED	2017 (unaudited) AED
<b>Insurance premium revenue</b>				
Gross premium written	97,372,106	96,677,827	283,052,677	309,909,755
Change in unearned premium	26,852,683	37,567,188	(36,098,833)	(46,830,002)
	<u>124,224,789</u>	<u>134,245,015</u>	<u>246,953,844</u>	<u>263,079,753</u>
<b>Insurance premium ceded to reinsurance</b>				
Reinsurance premium ceded	(63,621,515)	(58,480,922)	(167,684,947)	(151,095,395)
Change in unearned premium	(6,119,509)	(4,570,422)	35,470,480	35,399,711
	<u>(69,741,024)</u>	<u>(63,051,344)</u>	<u>(132,214,467)</u>	<u>(115,695,684)</u>
<b>Net insurance premium revenue</b>	<u>54,483,765</u>	<u>71,193,671</u>	<u>114,739,377</u>	<u>147,384,069</u>

**14. Basic earnings per share**

	Three months period ended 30 June		Six months period ended 30 June	
	2018 (unaudited) AED	2017 (unaudited) AED	2018 (unaudited) AED	2017 (unaudited) AED
Profit for the period (in AED)	12,028,921	10,712,843	30,684,167	34,682,321
Weighted average number of shares	250,000,000	250,000,000	250,000,000	250,000,000
<b>Basic earnings per share (in AED)</b>	<u>0.05</u>	<u>0.04</u>	<u>0.12</u>	<u>0.14</u>

Basic earnings per share has been calculated by dividing the profit for the period by the number of shares outstanding at the end of the reporting period. Diluted earnings per share as of 30 June 2018 and 30 June 2017 are equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

**15. Cash and cash equivalents**

	<b>30 June 2018 (unaudited) AED</b>	30 June 2017 (unaudited) AED
Bank balances and cash	<b>202,587,907</b>	159,729,140
Less: pledged and long term fixed deposits margin deposits	<b>(143,532,181) (873,000)</b>	(143,532,181) (573,000)
	<b>58,182,726</b>	15,623,959

**16. Seasonality of results**

Investment income includes dividend income of AED 1,293,518 (2017: AED 1,028,133) which is of a seasonal nature.

**17. Related party transactions**

Related parties include the Group's major shareholders, directors and business controlled by them and their families or which they exercise significant influence as well as key management personnel.

**17.1 Due from/to related parties**

At the end of the reporting period, amounts due from/to related parties included under due from policy holders and gross outstanding claims were as follows:

	<b>30 June 2018 (unaudited) AED</b>	31 December 2017 (audited) AED
Due from policy holders	<b>38,045,904</b>	28,047,646
Gross outstanding claims	<b>8,444,152</b>	2,612,377

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given and no expense has been recognised in the period for bad debts or doubtful debts in respect of the amounts owed by related parties.

**Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)**

**17. Related party transactions (continued)**

**17.2 Transactions**

During the period, the Group entered into the following transactions with related parties:

	Three months period ended		Six months period ended	
	2018 (unaudited) AED	30 June 2017 (unaudited) AED	2018 (unaudited) AED	30 June 2017 (unaudited) AED
Gross premium written	10,632,882	10,423,724	12,039,019	12,714,204
Claims paid	463,530	985,650	948,910	3,618,893

Insurance premiums are charged to related parties at rates agreed with the management.

**17.3 Compensation of key management personnel**

	Three months period ended		Six months period ended	
	2018 (unaudited) AED	30 June 2017 (unaudited) AED	2018 (unaudited) AED	30 June 2017 (unaudited) AED
Short term benefits	833,475	675,675	1,666,950	1,351,350
Long term benefits	81,825	67,837	130,850	108,475
Board of Directors' remuneration	1,400,000	1,400,000	1,400,000	1,400,000

**18. Segment information**

For management purposes, the Group is organised into three business segments: life assurance, general insurance and investments.

The general insurance segment incorporate all classes of general insurance including fire, marine, medical, motor, general and others. The life insurance segment includes group life insurance.

Investments segment comprises investment in equity securities and investment properties.

These segments are the basis on which the Group reports its primary segment information to the Chief Operating Decision maker.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 to the annual audited consolidated financial statements of the Group.

Notes to the condensed consolidated financial statements  
For the six months period ended 30 June 2018 (continued)

18. Segment information (continued)

For the six months period ended 30 June 2018 (unaudited)

	General insurance					Total insurance AED	Investments AED	Total AED
	Marine AED	Fire AED	Accident and liabilities AED	Others AED	Life insurance AED			
Segment revenue – gross	32,330,197	21,513,461	160,735,559	64,196,276	4,277,184	283,052,677	-	283,052,677
Segment result – net	7,251,474	1,814,351	6,083,849	(240,275)	747,165	15,656,564	27,606,524	43,263,088
Unallocated costs								(12,578,921)
Profit for the period								30,684,167

For the six months period ended 30 June 2017 (unaudited)

	General insurance					Total insurance AED	Investments AED	Total AED
	Marine AED	Fire AED	Accident and liabilities AED	Others AED	Life insurance AED			
Segment revenue – gross	32,066,239	29,918,653	178,818,901	64,212,284	4,893,678	309,909,755	-	309,909,755
Segment result - net	6,262,821	3,200,753	12,264,970	(7,120,410)	1,304,876	15,913,010	30,218,458	46,131,468
Unallocated costs								(11,449,147)
Profit for the period								34,682,321

There are no transactions between segments.

**Notes to the condensed consolidated financial statements**  
**For the six months period ended 30 June 2018 (continued)**

**18. Segment information (continued)**

	<b>30 June 2018 (unaudited)</b>				
	<u>General insurance</u>	<u>Life insurance</u>	<u>Investment</u>	<u>Elimination</u>	<u>Total</u>
	AED	AED	AED	AED	AED
Segment asset	802,154,618	27,874,503	975,589,266	(41,637)	1,805,576,750
Segment liabilities	737,329,351	23,365,111	406,680,114	(41,637)	1,167,332,939

  

	<b>31 December 2017 (audited)</b>				
	<u>General insurance</u>	<u>Life insurance</u>	<u>Investment</u>	<u>Elimination</u>	<u>Total</u>
	AED	AED	AED	AED	AED
Segment assets	750,822,043	27,684,107	980,919,885	(2,572,217)	1,756,853,818
Segment liabilities	644,483,787	23,921,879	427,338,212	(2,572,217)	1,093,171,661

**19. Fair value of financial instruments**

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 Group 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.

*19.1 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 consolidated financial statements approximate their fair values:

*19.2 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 consolidated financial statements for the year ended 31 December 2017.

**Notes to the condensed consolidated financial statements**  
**For the six months period ended 30 June 2018 (continued)**

**19. Fair value of financial instruments (continued)**

*19.3 Fair value measurements recognised in the condensed consolidated statement of financial position*

The following table provides an analysis of financial and non-financial instruments 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).

Some of the Group'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;

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 June 2018 (unaudited) AED	31 December 2017 (Audited) AED				
<b>Equity investments designated at FVOCI/ AFS</b>						
Quoted equity securities	31,724,840	36,322,096	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	17,808,530	17,808,530	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets were determined based on the latest available audited/historical financial information.	Net asset value	Higher the net assets, value of the investees, higher the fair value.

There were no transfers between each of level 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.

**20. Dividends**

At the annual general meeting held on 9 April 2018, the Shareholders approved a cash dividend of 10 fils per share amounting to AED 25 million for 2017 (2017: AED 25 million for 2016) and Board of Directors' remuneration amounting to AED 1.4 million (2016: AED 1.4 million).

**Notes to the condensed consolidated financial statements**  
**For the six months period ended 30 June 2018 (continued)**

**21. Contingent liabilities**

	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>(unaudited)</b>	<b>(audited)</b>
	<b>AED</b>	<b>AED</b>
Letters of guarantee	<b>19,365,493</b>	16,760,602

**22. Approval of condensed consolidated financial statements**

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 9 August 2018.