

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

**Review report and consolidated interim financial information
For the nine months period ended 30 September 2018**

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

Contents	Pages
Report on review of consolidated interim financial information	1
Condensed consolidated statement of financial position	2
Condensed consolidated statement of income (unaudited)	3
Condensed consolidated statement of comprehensive income (unaudited)	4
Condensed consolidated statement of changes in equity	5
Condensed consolidated statement of cash flows (unaudited)	6 - 7
Notes to the condensed consolidated financial statements	8 - 31

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 September 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 nine 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
13 November 2018
Sharjah, United Arab Emirates

Condensed consolidated statement of financial position
At 30 September 2018

	Notes	30 September 2018 (unaudited) AED	31 December 2017 (audited) AED
ASSETS			
Non-current assets			
Property and equipment	4	5,463,216	4,551,314
Investment properties	5	920,540,601	920,540,601
Investments in securities	6	47,608,332	54,130,626
Statutory deposit	7	10,000,000	10,000,000
Total non-current assets		983,612,149	989,222,541
Current assets			
Reinsurance contract assets	8	261,169,781	236,351,384
Insurance and other receivables	9	327,653,962	328,993,672
Bank balances and cash	10	218,083,213	202,286,221
Total current assets		806,906,956	767,631,277
Total assets		1,790,519,105	1,756,853,818
EQUITY AND LIABILITIES			
Equity			
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		(17,317,263)	(5,975,607)
Retained earnings		100,122,019	108,189,775
Total equity		644,272,745	663,682,157
Non-current liabilities			
Provision for employees' end of service indemnity		36,283,631	34,080,440
Bank borrowings	12	380,811,282	361,570,797
Total non-current liabilities		417,094,913	395,651,237
Current liabilities			
Insurance contract liabilities	8	445,073,821	459,052,971
Insurance and other payables		198,431,247	160,296,451
Bank borrowings	12	85,646,379	78,171,002
Total current liabilities		729,151,447	697,520,424
Total liabilities		1,146,246,360	1,093,171,661
Total equity and liabilities		1,790,519,105	1,756,853,818



Chairman

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

Condensed consolidated statement of income (unaudited)
For the nine months period ended 30 September 2018

	Notes	Three months period ended		Nine months period ended	
		30 September		30 September	
		2018	2017	2018	2017
		AED	AED	AED	AED
Insurance premium revenue	13	126,020,989	140,151,951	372,974,833	403,231,704
Insurance premium ceded to reinsurers	13	(79,573,053)	(59,369,879)	(211,787,520)	(175,065,563)
Net insurance premium revenue	13	46,447,936	80,782,072	161,187,313	228,166,141
Gross claims incurred		(60,458,059)	(115,277,175)	(210,506,664)	(294,276,611)
Insurance claims recovered from reinsurers		27,083,156	49,852,478	84,412,694	98,323,039
Net claims incurred		(33,374,903)	(65,424,697)	(126,093,970)	(195,953,572)
Gross commission earned		12,304,472	9,883,308	43,218,403	44,041,175
Less: commission incurred		(6,443,261)	(6,209,700)	(19,130,279)	(17,930,999)
Net commission earned		5,861,211	3,673,608	24,088,124	26,110,176
Underwriting profit		18,934,244	19,030,983	59,181,467	58,322,745
General and administrative expenses relating to underwriting activities		(14,811,324)	(15,300,977)	(39,401,983)	(38,679,729)
Net underwriting profit		4,122,920	3,730,006	19,779,484	19,643,016
Investment and other income		10,955,258	10,944,979	38,561,782	41,163,437
Finance costs		(5,829,662)	(4,024,445)	(15,601,636)	(11,654,935)
Unallocated general and administrative expenses		(1,332,212)	(3,162,180)	(4,139,159)	(6,980,837)
Profit for the period		7,916,304	7,488,360	38,600,471	42,170,681
Basic earnings per share	14	0.03	0.03	0.15	0.17

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

Condensed consolidated statement of comprehensive income (unaudited)
For the nine months period ended 30 September 2018

	Three months period ended 30 September		Nine months period ended 30 September	
	2018 AED	2017 AED	2018 AED	2017 AED
Profit for the period	7,916,304	7,488,360	38,600,471	42,170,681
Other comprehensive (loss)/income				
<i>Items that maybe reclassified subsequently to profit or loss:</i>				
Unrealised loss on revaluation of available- for-sale investments	-	(474,040)	-	(1,115,304)
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Decrease in fair value of investments carried at FVOCI	(1,887,543)	-	(5,549,733)	-
Gain on sale of investment carried at FVOCI	173	-	250,326	-
Transfer to condensed consolidated statement of income on sale of available-for-sale investments	-	528,633	-	648,961
Reclassification adjustment relating to available-for-sale investment impaired during the period	-	2,000,000	-	2,000,000
Other comprehensive (loss)/income for the period	(1,887,370)	2,054,593	(5,299,407)	1,533,657
Total comprehensive income for the period	6,028,934	9,542,953	33,301,064	43,704,338

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

**Condensed consolidated statement of changes in equity
For the nine months period ended 30 September 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	-	-	-	-	42,170,681	42,170,681
Other comprehensive income for the period	-	-	-	1,533,657	-	1,533,657
Total comprehensive income for the period	-	-	-	1,533,657	42,170,681	43,704,338
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 September 2017 (unaudited)	250,000,000	106,244,531	200,000,000	(8,035,440)	103,349,330	651,558,421
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	-	-	-	-	38,600,471	38,600,471
Other comprehensive loss for the period	-	-	-	(5,549,733)	250,326	(5,299,407)
Total comprehensive income for the period	-	-	-	(5,549,733)	38,850,797	33,301,064
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)
Balance at 30 September 2018 (unaudited)	250,000,000	111,467,989	200,000,000	(17,317,263)	100,122,019	644,272,745

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

Condensed consolidated statement of cash flows (unaudited)
For the nine months period ended 30 September 2018

	Nine months period ended 30 September	
	2018	2017
	AED	AED
Cash flows from operating activities		
Profit for the period	38,600,471	42,170,681
Adjustments for:		
Depreciation of property and equipment	758,081	1,385,704
Allowance for doubtful debts	-	2,000,000
Impairment on available for sale financial assets	-	2,000,000
Interest income on deposits	(5,615,014)	(3,205,013)
Dividend income	(1,293,518)	(1,178,133)
Net rental income from investment properties	(31,607,989)	(38,349,756)
Gain on sale of available-for-sale financial assets	-	(390,689)
Provision for employees' end of service indemnity	3,141,827	2,730,203
Finance costs	15,601,636	11,654,935
Operating cash flows before changes in operating assets and liabilities	19,585,494	18,817,932
(Increase)/decrease in insurance and other receivables	(24,970,766)	3,996,743
Increase in reinsurance contract assets	(24,818,397)	(14,983,773)
Decrease in insurance contract liabilities	(13,979,150)	(10,449,588)
Increase in statutory deposits	-	(4,000,000)
Increase/(decrease) in insurance and other payables	38,134,796	(28,030,657)
Cash used in operating activities	(6,048,023)	(34,649,343)
Employees' end of service indemnity paid	(938,636)	(1,330,763)
Net cash used in operating activities	(6,986,659)	(35,980,106)
Cash flows from investing activities		
(Increase)/decrease in fixed deposits with banks under lien or with a maturity after three months	(1,809,680)	1,078,134
Increase in margin deposits	(300,000)	-
Purchase of investments	(1,985,476)	(14,598,633)
Proceeds from sale of investments	3,208,363	13,661,218
Purchase of property and equipment	(1,669,983)	(1,039,285)
Interest received	5,615,014	3,205,013
Dividends received	1,293,518	1,178,133
Income proceeds from investment property	31,607,989	38,349,756
Net cash generated from investing activities	35,959,745	41,834,336

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

Condensed consolidated statement of cash flows (unaudited)
For the nine months period ended 30 September 2018 (continued)

	Nine months period ended 30 September	
	2018	2017
	AED	AED
Cash flows from financing activities		
Increase in bank borrowings - net	26,715,862	24,965,830
Finance costs paid	(15,601,636)	(11,654,935)
Dividends paid	(25,000,000)	(25,000,000)
Directors' remuneration paid	(1,400,000)	(1,400,000)
	<u>(15,285,774)</u>	<u>(13,089,105)</u>
Net cash used in financing activities		
	<u>13,687,312</u>	<u>(7,234,875)</u>
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	11,230,780	29,407,087
	<u>24,918,092</u>	<u>22,172,212</u>
Cash and cash equivalents at the end of the period (Note 15)		

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

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 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 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, 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 nine months period ended 30 September 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 nine months period ended 30 September 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 nine months period ended 30 September 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 nine months period ended 30 September 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.

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.

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.

Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 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)

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.

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 Group'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
Financial assets					
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.

Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 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 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.

	Retained earnings AED
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
Opening balance as at 1 January 2018 as per IFRS 9	87,663,288

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

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

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.

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</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
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
<p>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:</p> <ul style="list-style-type: none"> • 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 <i>Financial Instruments</i> : 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 <i>Leases</i>	1 January 2019
<p>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.</p>	
Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 <i>Financial Instruments</i> 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 nine months period ended 30 September 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)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 17 <i>Insurance Contracts</i>	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 nine months period ended 30 September 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 nine months period ended 30 September 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 nine months period ended 30 September 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 nine months period ended 30 September 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 nine months period ended 30 September 2018 (continued)

3. Summary of significant accounting policies (continued)

3.5 Basis of consolidation (continued)

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

Name of Subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held	Principal activity
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 1,669,983 (nine months period ended 30 September 2017: AED 1,039,285) and depreciation charges for the nine months period ended 30 September 2018 amounted to AED 758,081 (nine months period ended 30 September 2017: AED 1,385,704).

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 nine months period ended 30 September 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 September 2018 (31 December 2017: Level 3).

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

6. Investments in securities

	30 September 2018 (unaudited) AED	31 December 2017 (audited) AED
Equity at FVOCI		
Quoted – at fair value	32,030,301	-
Unquoted – at fair value	15,578,031	-
	<u>47,608,332</u>	<u>-</u>
In U.A.E.	43,474,367	-
In other GCC countries	4,133,965	-
	<u>47,608,332</u>	<u>-</u>
Equity at available-for-sale		
Quoted – at fair value	-	36,322,096
Unquoted – at fair value	-	17,808,530
	<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>

As required by the circular No. 411/2018 dated 7 July 2018 at reporting date, investment in securities includes net investment amounting to AED 6,243,750 with 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 nine months period ended 30 September 2018 (continued)

8. Insurance contract liabilities and reinsurance contract assets

	30 September 2018 (unaudited) AED	31 December 2017 (audited) AED
Insurance contract liabilities – gross		
- Claims reported unsettled	159,399,300	189,440,280
- Claims incurred but not reported	52,461,093	53,906,363
- Unallocated loss adjustment expense reserve	2,643,015	2,972,530
- Unearned premiums	230,570,413	212,733,798
	<u>445,073,821</u>	<u>459,052,971</u>
Recoverable from reinsurers		
- Claims reported unsettled	97,788,147	102,274,706
- Claims incurred but not reported	21,668,545	19,893,760
- Unallocated loss adjustment expense reserve	-	200
- Unearned premiums	141,713,089	114,182,718
	<u>261,169,781</u>	<u>236,351,384</u>
Insurance contract liabilities - net		
- Claims reported unsettled	61,611,153	87,165,574
- Claims incurred but not reported	30,792,548	34,012,603
- Unallocated loss adjustment expense reserve	2,643,015	2,972,330
- Unearned premiums	88,857,324	98,551,080
	<u>183,904,040</u>	<u>222,701,587</u>

9. Insurance and other receivables

	30 September 2018 (unaudited) AED	31 December 2017 (audited) AED
Receivables arising from insurance and reinsurance contracts		
Due from policyholders	256,771,102	217,213,879
Due from reinsurance companies	17,829,471	25,034,381
Due from insurance companies	81,592,682	97,212,426
Provision for credit loss	(56,607,518)	(30,297,042)
	<u>299,585,737</u>	<u>309,163,644</u>
Other receivables		
Staff receivables	2,600,870	2,810,492
Rent receivable	7,724,825	6,248,657
Prepayments and others	17,742,530	10,770,879
	<u>327,653,962</u>	<u>328,993,672</u>

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

9. Insurance and other receivables (continued)

	30 September 2018 (unaudited) AED	31 December 2017 (audited) AED
Movement in provision for credit loss:		
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

	30 September 2018 (unaudited) AED	31 December 2017 (audited) AED
Cash on hand	82,873	142,365
Bank balances:		
Current accounts	13,055,039	6,949,941
Call accounts	11,780,180	4,138,474
Margin deposits	873,000	573,000
Fixed deposits	192,292,121	190,482,441
	<u>218,083,213</u>	<u>202,286,221</u>

Fixed deposits amounting to AED 46.78 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

	30 September 2018 (unaudited) AED	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)	<u>250,000,000</u>	<u>250,000,000</u>

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

12. Bank borrowings

	30 September 2018 (unaudited) AED	31 December 2017 (audited) AED
Bank overdraft	14,250,359	18,958,315
Term loans	452,207,302	420,783,484
	466,457,661	439,741,799
Bank borrowings are repayable as follows:		
On demand or within one year	85,646,379	78,171,002
In the second year	75,279,353	70,879,360
In the third and subsequent years	305,531,929	290,691,437
	466,457,661	439,741,799
Less: Amount due for settlement within 12 months (shown under current liabilities)	(85,646,379)	(78,171,002)
Amount due for settlement after 12 months (shown under non-current liabilities)	380,811,282	361,570,797

Main features of bank borrowings:

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

At 30 September 2018, bank borrowings were secured by lien on fixed deposits amounting to AED 46.78 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 nine months period ended 30 September 2018 (continued)

13. Net insurance premium revenue

	Three months period ended 30 September		Nine months period ended 30 September	
	2018 (unaudited) AED	2017 (unaudited) AED	2018 (unaudited) AED	2017 (unaudited) AED
Insurance premium revenue				
Gross premium written	107,758,771	118,150,784	390,811,448	428,060,539
Change in unearned premium	18,262,218	22,001,167	(17,836,615)	(24,828,835)
	<u>126,020,989</u>	<u>140,151,951</u>	<u>372,974,833</u>	<u>403,231,704</u>
Insurance premium ceded to reinsurers				
Reinsurance premium ceded	(71,632,944)	(47,579,022)	(239,317,891)	(198,674,417)
Change in unearned premium	(7,940,109)	(11,790,857)	27,530,371	23,608,854
	<u>(79,573,053)</u>	<u>(59,369,879)</u>	<u>(211,787,520)</u>	<u>(175,065,563)</u>
Net insurance premium revenue	<u>46,447,936</u>	<u>80,782,072</u>	<u>161,187,313</u>	<u>228,166,141</u>

14. Basic earnings per share

	Three months period ended 30 September		Nine months period ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Profit for the period (in AED)	7,916,304	7,488,360	38,600,471	42,170,681
Weighted average number of shares	250,000,000	250,000,000	250,000,000	250,000,000
Basic earnings per share (in AED)	<u>0.03</u>	<u>0.03</u>	<u>0.15</u>	<u>0.17</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 September 2018 and 30 September 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 nine months period ended 30 September 2018 (continued)

15. Cash and cash equivalents

	30 September 2018 (unaudited) AED	30 September 2017 (unaudited) AED
Bank balances and cash	218,083,213	166,318,272
Less: pledged and long term fixed deposits margin deposits	(192,292,121) (873,000)	(143,573,060) (573,000)
	<u>24,918,092</u>	<u>22,172,212</u>

16. Seasonality of results

Investment income includes dividend income of AED 1,293,518 (2017: AED 1,178,133) 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:

	30 September 2018 (unaudited) AED	31 December 2017 (audited) AED
Due from policy holders	37,334,036	28,047,646
Gross outstanding claims	7,554,975	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 nine months period ended 30 September 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		Nine months period ended	
	30 September		30 September	
	2018	2017	2018	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED
Gross premium written	(64,701)	237,582	11,974,318	12,951,786
Claims paid	200,633	440,573	1,149,543	4,059,466

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

17.3 Compensation of key management personnel

	Three months period ended		Nine months period ended	
	30 September		30 September	
	2018	2017	2018	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED
Short term benefits	833,475	675,675	2,500,425	2,027,025
Long term benefits	65,425	54,238	196,275	162,713
Board of Directors' remuneration	-	-	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 nine months period ended 30 September 2018 (continued)

18. Segment information (continued)

For the nine months period ended 30 September 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	36,592,063	30,505,746	219,741,094	96,111,496	7,861,049	390,811,448	-	390,811,448
Segment result – net	6,062,952	2,940,230	10,110,669	(706,641)	1,372,274	19,779,484	38,561,782	58,341,266
Unallocated costs								(19,740,795)
Profit for the period								38,600,471

For the nine months period ended 30 September 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	37,214,086	37,558,084	243,998,967	100,975,527	8,313,875	428,060,539	-	428,060,539
Segment result - net	5,264,402	2,077,699	9,291,486	488,267	2,521,162	19,643,016	41,163,437	60,806,453
Unallocated costs								(18,635,772)
Profit for the period								42,170,681

There are no transactions between segments.

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

18. Segment information (continued)

	30 September 2018 (unaudited)				
	<u>General insurance</u> AED	<u>Life insurance</u> AED	<u>Investment</u> AED	<u>Elimination</u> AED	Total AED
Segment assets	786,556,569	28,261,615	975,777,398	(76,477)	1,790,519,105
Segment liabilities	665,065,300	23,127,114	458,130,423	(76,477)	1,146,246,360

	31 December 2017 (audited)				
	<u>General insurance</u> AED	<u>Life insurance</u> AED	<u>Investment</u> AED	<u>Elimination</u> AED	Total 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 nine months period ended 30 September 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 September 2018 (unaudited) AED	31 December 2017 (Audited) AED				
Equity investments designated at FVOCI/ AFS						
Quoted equity securities	32,030,301	36,322,096	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	15,578,031	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.

The movement in Level 3 financial assets was due to change in fair value of investments classified as FVOCI.

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

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).

21. Contingent liabilities

	30 September	31 December
	2018	2017
	(unaudited)	(audited)
	AED	AED
Letters of guarantee	19,615,493	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 13 November 2018.