

**AL FUJAIRAH NATIONAL INSURANCE
COMPANY P.S.C.**

**Condensed interim financial statements (Unaudited)
For the six months period ended 30 June 2018**

**Grant Thornton
United Arab Emirates**

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Review report of the independent auditor To the shareholders of Al Fujairah National Insurance Company P.S.C.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Al Fujairah National Insurance Company P.S.C. (the “Company”) as of 30 June 2018 and the related condensed interim statement of income, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the six months period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Other matter

The financial statements for the year ended 31 December 2017 were audited by another auditor who expressed a modified opinion on those statements on 27 March 2018.

Basis for qualified conclusion

Included in the condensed interim statement of financial position as at 30 June 2018 are investment properties carried at fair value amounting to AED 90,675,000 (31 December 2017: AED 90,675,000) which were valued by an independent external valuer as on 31 December 2017 using certain assumptions and judgements. The audit opinion for the year ended 31 December 2017 was qualified by the external auditors due to a lack of sufficient and appropriate audit evidence about the assumptions and judgements used by the independent external valuer for the valuation of the investment properties. Further, we have not been provided with any supporting evidence as on 30 June 2018 to substantiate the assumptions and judgements used by the valuer. Consequently, we were unable to determine whether any adjustments to the amounts were necessary.

Review report of the independent auditor (continued)
To the shareholders of Al Fujairah National Insurance Company P.S.C. (continued)

Qualified conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements does not present fairly, in all material respects, the financial position of the entity as at 30 June 2018 and of its financial performance and its cashflows for the six months period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".



Grant Thornton
Farouk Mohamed
Registration No: 86



Dubai, 14 August 2018.

Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of financial position
As at 30 June 2018

	Notes	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
ASSETS			
Property and equipment	5	20,599,555	19,564,002
Investment properties	6	90,675,000	90,675,000
Financial assets	7	155,388,616	180,336,636
Statutory deposit	8	10,000,000	10,000,000
Re-insurance contract assets	9	62,848,306	56,399,115
Insurance and other receivables		74,846,020	47,553,519
Bank balances and cash	10	117,361,585	102,755,574
Total assets		531,719,082	507,283,846
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	100,000,000	100,000,000
Statutory reserve		29,134,458	29,134,458
General reserve		25,289,298	25,289,298
Cumulative changes in fair value of financial assets at FVTOCI		5,271,944	33,388,396
Property revaluation reserve		11,205,588	11,205,588
Retained earnings		51,738,529	34,712,009
Total equity		222,639,817	233,729,749
Liabilities			
Provision for employees' end of service indemnity		14,484,733	13,025,669
Insurance contract liabilities	9	239,986,547	213,713,115
Insurance and other payables		54,607,985	46,815,313
Total liabilities		309,079,265	273,554,097
Total equity and liabilities		531,719,082	507,283,846


Chairman


General Manager

The accompanying notes from 1 to 22 form an integral part of these condensed interim financial statements.

Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of income
For the six months period ended 30 June 2018

	Notes	(Unaudited) Three months period ended 30 June 2018 AED	(Unaudited) Three months period ended 30 June 2017 AED	(Unaudited) Six months period ended 30 June 2018 AED	(Unaudited) Six months period ended 30 June 2017 AED
Insurance premium revenue	12	66,051,613	52,536,781	126,764,369	103,562,341
Insurance premium ceded to re-insurers	12	(13,995,164)	(12,520,981)	(25,734,677)	(24,457,397)
Net insurance premium revenue	12	52,056,449	40,015,800	101,029,692	79,104,944
Gross claims incurred		(33,256,707)	(25,226,087)	(62,989,318)	(44,045,798)
Insurance claims recovered from re-insurers		6,844,163	810,263	10,775,652	(8,620,675)
Net claims incurred		(26,412,544)	(24,415,824)	(52,213,666)	(52,666,473)
Gross commission earned		1,780,383	1,524,712	4,054,780	3,760,259
Less: commission incurred		(3,265,180)	(3,441,059)	(6,910,696)	(6,777,014)
Net commission incurred		(1,484,797)	(1,916,347)	(2,855,916)	(3,016,755)
Underwriting profit		24,159,108	13,683,629	45,960,110	23,421,716
General and administrative expenses relating to underwriting activities		(9,325,846)	(7,591,576)	(20,738,137)	(15,378,092)
Net underwriting profit		14,833,262	6,092,053	25,221,973	8,043,624
Income from investments and others		4,540,187	748,317	6,501,268	3,768,890
Unallocated general and administrative expenses		(2,331,460)	(1,897,896)	(5,184,534)	(3,844,523)
Finance costs		-	(8,491)	-	(28,383)
Profit for the period		17,041,989	4,933,983	26,538,707	7,939,608
Basic earnings per share	13	17.04	4.93	26.54	7.94

The accompanying notes from 1 to 22 form an integral part of these condensed interim financial statements.

Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of comprehensive income
For the six months period ended 30 June 2018

	(Unaudited) Three months period ended 30 June 2018 AED	(Unaudited) Three months period ended 30 June 2017 AED	(Unaudited) Six months period ended 30 June 2018 AED	(Unaudited) Six months period ended 30 June 2017 AED
Profit for the period	17,041,989	4,933,983	26,538,707	7,939,608
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net fair value gain / (loss) on investments designated at FVTOCI	2,542,015	5,635,718	(28,083,425)	(21,995,512)
Gain on sale of investments designated at FVTOCI	452,688	-	454,786	331,877
Other comprehensive income / (loss) for the period	2,994,703	5,635,718	(27,628,639)	(21,663,635)
Total comprehensive income / (loss) for the period	20,036,692	10,569,701	(1,089,932)	(13,724,027)

The accompanying notes from 1 to 22 form an integral part of these condensed interim financial statement.

**Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)**

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

	Share capital AED	Statutory reserve AED	General reserve AED	Cumulative changes in fair value of financial assets at FVTOCI AED	Property revaluation reserve AED	Retained earnings AED	Total AED
Balance at 31 December 2016 (Audited)	100,000,000	26,322,915	22,477,755	32,126,810	11,205,588	22,426,250	214,559,318
Profit for the six months period ended 30 June 2017	-	-	-	(21,995,512)	-	7,939,608	7,939,608
Other comprehensive loss for the period	-	-	-	(21,995,512)	-	331,877	(21,663,635)
Total comprehensive loss for the period	-	-	-	(21,995,512)	-	8,271,485	(13,724,027)
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	2,630,709	-	(2,630,709)	-
Dividends (note 14)	-	-	-	-	-	(10,000,000)	(10,000,000)
Balance at 30 June 2017 (Unaudited)	100,000,000	26,322,915	22,477,755	12,762,007	11,205,588	18,067,026	190,835,291
Balance at 31 December 2017 (Audited)	100,000,000	29,134,458	25,289,298	33,388,396	11,205,588	34,712,009	233,729,749
Profit for the six months period ended 30 June 2018	-	-	-	-	-	26,538,707	26,538,707
Other comprehensive loss for the period	-	-	-	(28,083,425)	-	454,786	(27,628,639)
Total comprehensive loss for the period	-	-	-	(28,083,425)	-	26,993,493	(1,089,932)
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	(33,027)	-	33,027	-
Dividends (note 14)	-	-	-	-	-	(10,000,000)	(10,000,000)
Balance at 30 June 2018 (Unaudited)	100,000,000	29,134,458	25,289,298	5,271,944	11,205,588	51,738,529	222,639,817

The accompanying notes from 1 to 22 form an integral part of these condensed interim financial statements.

Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Condensed interim statement of cash flows
For the six months period ended 30 June 2018

	(Unaudited) Six months period ended 30 June 2018 AED	(Unaudited) Six months period ended 30 June 2017 AED
Cash flows from operating activities		
Profit for the period	26,538,707	7,939,608
Adjustments for:		
Depreciation of property and equipment (note 5)	1,152,741	1,104,010
Provision for employees' end of service indemnity	1,533,699	1,344,921
Loss on investments at FV'IPL	1,330,546	2,853,720
Other investment income	(7,831,814)	(6,622,610)
Finance costs	-	28,383
Operating cash flow before changes in operating assets and liabilities	22,723,879	6,648,032
(Increase) / decrease in reinsurance contract assets	(6,449,191)	19,610,623
Increase / (decrease) in insurance contracts liabilities	26,273,432	(3,847,751)
Increase in insurance and other receivables	(27,292,501)	(10,575,662)
Increase in insurance and other payables	7,792,672	6,778,644
Cash generated from operations	23,048,291	18,613,886
Employees' end of service indemnity paid	(74,635)	(94,943)
Finance costs paid	-	(28,383)
Net cash generated from operating activities	22,973,656	18,490,560
Cash flows from investing activities		
Purchase of property and equipment (note 5)	(2,188,294)	(3,996,621)
Decrease / (increase) in investment in fixed deposits with maturity over 3 months	11,913,449	(12,279,559)
Purchase of investment in securities	(6,705,355)	(43,675,244)
Proceeds from disposal of investments	2,809,728	33,480,722
Interest received	1,328,065	1,156,480
Dividends received	5,226,171	3,913,178
Income from investment properties	1,162,040	1,552,952
Net cash generated from / (used in) investing activities	13,545,804	(19,848,092)
Cash flows from financing activities		
Decrease in bank borrowings	-	(3,071,180)
Dividends paid	(10,000,000)	(10,000,000)
Net cash used in financing activities	(10,000,000)	(13,071,180)
Net increase / (decrease) in cash and cash equivalents	26,519,460	(14,428,712)
Cash and cash equivalents, at the beginning of the period	49,156,871	38,660,373
Cash and cash equivalents, at the end of the period (note 15)	75,676,331	24,231,661

The accompanying notes from 1 to 22 form an integral part of these condensed interim financial statements.

Al Fujairah National Insurance Company P.S.C. Condensed interim financial statements (Unaudited)

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

1. Legal status and activities

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

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

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

2. General information and basis of preparation

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

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

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

The accounting policies, presentation and methods in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2017 with an exception of changes with regard to IFRS 9.

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

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 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. Summary of significant accounting policies

These condensed interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended 31 December 2017. Certain amendments to accounting standards and annual improvements, as disclosed in the Company's most recent annual financial statements for the year ended 31 December 2017, are applicable on the Company but do not have any material impact on these condensed interim financial statements.

Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

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

3. Summary of significant accounting policies (continued)

Property and equipment

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

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

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

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

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

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

Investment properties

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

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

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

Fair value is determined by open market values based on valuations performed by independent surveyors.

Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

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

3. Summary of significant accounting policies (continued)

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

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

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

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

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

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

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

Investments in equity and debts instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to income statement, but is reclassified to retained earnings.

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

Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.
- no impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

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

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

The Company has assessed that the impact of IFRS 9 is not material on the condensed interim financial statements of the Company as at the reporting date.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the year ended 31 December 2017, except for provision for doubtful debt, which is described below:

Provision for doubtful debts

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of insurance receivables. For non-insurance receivables the recoverability is assessed and provisions are created in compliance with simplified approach under the IFRS 9 methodology.

Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

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

5. Property and equipment

- Property and equipment additions during the current period amounted to AED 2,188,294 (Six months period ended 30 June 2017: AED 3,996,621).
- Depreciation charges for the current period amounted to AED 1,152,741 (Six months period ended 30 June 2017: AED 1,104,010).
- All the properties and equipment are located in U.A.E.

6. Investment properties

All the investment properties are stated at fair value and are located in U.A.E.

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Fair value at the beginning of the period / year	90,675,000	91,085,000
Decrease in fair value during the period / year	-	(410,000)
	<u>90,675,000</u>	<u>90,675,000</u>

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

7. Financial assets

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

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Financial investment designated at FVTOCI		
Quoted U.A.E. equity securities	96,183,782	123,940,604
Unquoted U.A.E. equity securities	26,190,356	24,107,710
Mutual funds	4,585,194	4,570,939
	<u>126,959,332</u>	<u>152,619,253</u>
Financial investments at FVTPL		
Quoted U.A.E. equity securities	9,959,694	11,116,773
Financial investments at amortised cost		
Quoted debt instruments	12,127,410	10,258,430
Unquoted debt instruments	6,342,180	6,342,180
	<u>18,469,590</u>	<u>16,600,610</u>
Total financial investments	<u>155,388,616</u>	<u>180,336,636</u>

Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

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

7. Financial assets (continued)

The movements in investments in securities are as follows:

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
At fair value through other comprehensive income		
Fair value at the beginning of the period / year	152,619,253	143,428,746
Purchases during the period / year	3,763,793	15,475,708
Disposals during the period / year	(1,340,289)	(7,383,172)
Net (decrease) / increase in fair value	<u>(28,083,425)</u>	<u>1,097,971</u>
Fair value at the end of the period / year	<u>126,959,332</u>	<u>152,619,253</u>

Investments at FVTOCI comprise of the following:

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Within U.A.E.	116,873,107	142,812,734
Outside U.A.E.	<u>10,086,225</u>	<u>9,806,519</u>
	<u>126,959,332</u>	<u>152,619,253</u>

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

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
At fair value through profit or loss		
Fair value at the beginning of the period / year	11,116,773	12,179,595
Purchased during the period / year	1,072,582	44,043,569
Disposals during the period / year	(899,115)	(40,714,202)
Net decrease in fair value	<u>(1,330,546)</u>	<u>(4,392,189)</u>
Fair value at the end of the period / year	<u>9,959,694</u>	<u>11,116,773</u>

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

Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

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

7. Financial assets (continued)

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
At amortised cost		
Amortised cost at the beginning of the period / year	16,600,610	-
Purchases during the period / year	<u>1,868,980</u>	<u>16,600,610</u>
Amortised cost at the end of the period / year	<u>18,469,590</u>	<u>16,600,610</u>

Fair value of financial investments recorded at amortised cost approximates the carrying amount of such investments.

Investments at amortised cost comprise the following:

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Within U.A.E.	6,342,180	1,779,141
Outside U.A.E.	<u>12,127,410</u>	<u>14,821,469</u>
	<u>18,469,590</u>	<u>16,600,610</u>

8. Statutory deposit

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Statutory deposit maintained in accordance with Article 42 of U.A.E., Federal Law No. 6 of 2007	<u>10,000,000</u>	<u>10,000,000</u>

Al Fujairah National Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

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

9. Insurance contract liabilities and re-insurance contract assets

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Gross		
Insurance contract liabilities:		
Claims reported unsettled	68,544,432	64,330,115
Claims incurred but not reported	31,268,735	29,158,000
Unearned premiums	<u>140,173,380</u>	<u>120,225,000</u>
Total insurance contract liabilities, gross	<u>239,986,547</u>	<u>213,713,115</u>
Recoverable from reinsurers		
Claims reported unsettled	(30,255,410)	(30,957,115)
Claims incurred but not reported	(8,032,716)	(7,714,000)
Unearned premiums	<u>(24,560,180)</u>	<u>(17,728,000)</u>
Total reinsurers' share of insurance assets	<u>(62,848,306)</u>	<u>(56,399,115)</u>
Net		
Claims reported unsettled	38,289,022	33,373,000
Claims incurred but not reported	23,236,019	21,444,000
Unearned premiums	<u>115,613,200</u>	<u>102,497,000</u>
	<u>177,138,241</u>	<u>157,314,000</u>

10. Bank balances and cash

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Bank balances:		
Call and current accounts	40,410,033	47,492,792
Fixed deposits	76,740,091	54,609,930
Cash on hand	<u>211,461</u>	<u>652,852</u>
	<u>117,361,585</u>	<u>102,755,574</u>

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

Fixed deposits amounting to AED 2,000,000 (31 December 2017: AED 2 million) are under lien in respect of bank credit facility granted to the Company (note 15).

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11. Share capital

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Issued and fully paid: 1,000,000 ordinary shares (2017: 1,000,000 ordinary shares) of AED 100 each	<u>100,000,000</u>	<u>100,000,000</u>

12. Net insurance premium revenue

	(Unaudited) Three months period ended 30 June 2018 AED	(Unaudited) Three months period ended 30 June 2017 AED	(Unaudited) Six months period ended 30 June 2018 AED	(Unaudited) Six months period ended 30 June 2017 AED
Gross premium written				
Gross premium written	62,983,969	52,803,681	146,712,749	124,056,241
Change in unearned premium	3,067,644	(266,900)	(19,948,380)	(20,493,900)
	<u>66,051,613</u>	<u>52,536,781</u>	<u>126,764,369</u>	<u>103,562,341</u>
Reinsurance premium ceded				
Reinsurance premium ceded	(13,095,886)	(11,359,881)	(32,566,857)	(29,980,297)
Change in unearned premium	(899,278)	(1,161,100)	6,832,180	5,522,900
	<u>(13,995,164)</u>	<u>(12,520,981)</u>	<u>(25,734,677)</u>	<u>(24,457,397)</u>
Net insurance premium revenue	<u>52,056,449</u>	<u>40,015,800</u>	<u>101,029,692</u>	<u>79,104,944</u>

13. Basic earnings per share

	(Unaudited) Three months period ended 30 June 2018	(Unaudited) Three months period ended 30 June 2017	(Unaudited) Six months period ended 30 June 2018	(Unaudited) Six months period ended 30 June 2017
Profit for the period (in AED)	17,041,989	4,933,983	26,538,707	7,939,608
Number of shares	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (in AED)	<u>17.04</u>	<u>4.93</u>	<u>26.54</u>	<u>7.94</u>

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14. Dividends

The Shareholders' General Assembly held on 26 April 2018 approved the payment of cash dividends at 10% of share capital amounting to AED 10 million for the year 2017 (2016: the Shareholders' General Assembly resolved that dividends of AED 10 million would be paid for the year 2016).

The books of accounts were not adjusted with the approved cash dividends for the year 2017 as the same was approved by the Shareholders after the end of the current period.

15. Cash and cash equivalents

	(Unaudited) Six months period ended 30 June 2018 AED	(Unaudited) Six months period ended 30 June 2017 AED
Bank balances and cash	117,361,585	93,482,315
Fixed deposits under lien	(2,000,000)	(2,000,000)
Fixed deposits with original maturity over 3 months	<u>(39,685,254)</u>	<u>(67,250,654)</u>
	<u>75,676,331</u>	<u>24,231,661</u>

16. Segment information

The Company is organised into two main business segments:

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

Investments incorporating investments in U.A.E. marketable equity securities, fixed deposits with banks and investment properties.

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16. Segment information (continued)

	For the six months period ended 30 June 2018			For the six months period ended 30 June 2017		
	Underwriting (Unaudited) AED	Investments (Unaudited) AED	Total (Unaudited) AED	Underwriting (Unaudited) AED	Investments (Unaudited) AED	Total (Unaudited) AED
Net insurance premium revenue	101,029,692	-	101,029,692	79,104,944	-	79,104,944
Net claims incurred	(52,213,666)	-	(52,213,666)	(52,666,473)	-	(52,666,473)
Net commission incurred	(2,855,916)	-	(2,855,916)	(3,016,755)	-	(3,016,755)
Income from investment and others	-	6,501,268	6,501,268	-	3,768,890	3,768,890
Segment result	25,221,973	6,501,268	31,723,241	8,043,624	3,768,890	11,812,514
Unallocated costs (net)	-	-	(5,184,534)	-	-	(3,872,906)
Profit for the period	-	-	26,538,707	-	-	7,939,608

	As of 30 June 2018			As of 31 December 2017		
	Underwriting (Unaudited) AED	Investments (Unaudited) AED	Total (Unaudited) AED	Underwriting (Audited) AED	Investments (Audited) AED	Total (Audited) AED
Segment assets	168,293,881	322,803,707	491,097,588	133,516,636	325,621,566	459,138,202
Unallocated assets			40,621,494			48,145,644
Total assets			531,719,082			507,283,846
Segment liabilities	294,594,532	-	294,594,532	260,528,428	-	260,528,428
Unallocated liabilities			14,484,733			13,025,669
Total liabilities			309,079,265			273,554,097

There are no transactions between the business segments.

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17. Related party balances and transactions

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

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

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Due from policy holders	3,343,561	1,482,054
Gross outstanding claims	<u>57,500</u>	<u>1,700,000</u>

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

Transactions:

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

	(Unaudited) Three months period ended 30 June 2018 AED	(Unaudited) Three months period ended 30 June 2017 AED	(Unaudited) Six months period ended 30 June 2018 AED	(Unaudited) Six months period ended 30 June 2017 AED
Gross premium	1,681,657	2,865,560	5,284,275	7,279,364
Claims paid	<u>423,454</u>	<u>235,554</u>	<u>450,960</u>	<u>901,821</u>

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

Compensations of key management staff and Board of Directors

	(Unaudited) Three months period ended 30 June 2018 AED	(Unaudited) Three months period ended 30 June 2017 AED	(Unaudited) Six months period ended 30 June 2018 AED	(Unaudited) Six months period ended 30 June 2017 AED
Key management staff:				
Short-term benefits	447,823	1,900,109	4,753,580	4,788,865
Long-term benefits	249,469	541,281	677,796	622,626
Board of directors' meeting allowance	<u>(225,000)</u>	<u>243,750</u>	<u>1,050,000</u>	<u>487,500</u>

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18. Seasonality of results

Income from investments and others includes dividend income of AED 5,226,171 for the six months period ended 30 June 2018 (Six months period ended 30 June 2017: AED 3,913,178), which is of a seasonal nature.

19. Commitments and contingent liabilities

	(Unaudited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Letters of guarantee	16,453,121	15,854,462
Capital commitments	<u>1,281,448</u>	<u>2,994,236</u>

20. Fair value measurement

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

Fair value of financial instruments carried at amortised cost

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

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

The fair values of financial and non-financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2017.

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20. Fair value measurement (continued)

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

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

Financial assets	Fair value as at 30 June 2018 (Unaudited) AED	Fair value as at 31 December 2017 (Audited) AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity investments – FVTOCI	96,183,782	123,940,604	Level 1	Quoted bid prices in an active market.	None.	NA.
Quoted debts instruments – FVTOCI	-	-	Level 1	Quoted bid prices in an active market.	None.	NA.
Mutual funds	4,585,194	4,570,939	Level 3	Adjusted net assets valuation method after adjusting for certain components in financial information of underlying companies.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Unquoted equity investments – FVTOCI	26,190,356	24,107,710	Level 3	Adjusted net assets valuation method after adjusting for certain components in financial information of underlying companies.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Quoted equity investments – FVTPL	9,959,694	11,116,773	Level 1	Quoted bid prices in an active market.	None.	NA.

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20. Fair value measurement (continued)

Fair value measurements recognised in the condensed statement of financial position

The following table provides an analysis of financial assets and non-financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2018 (Unaudited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTPL				
Quoted equities	9,959,694	-	-	9,959,694
Financial assets at FVTOCI				
Quoted equities	96,183,782	-	-	96,183,782
Mutual funds	-	-	4,585,194	4,585,194
Unquoted equities	-	-	26,190,356	26,190,356
Investment properties	-	-	90,675,000	90,675,000
	106,143,476	-	121,450,550	227,594,026

31 December 2017 (Audited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTPL				
Quoted equities	11,116,773	-	-	11,116,773
Financial assets at FVTOCI				
Quoted equities	123,940,604	-	-	123,940,604
Mutual funds	-	-	4,570,939	4,570,939
Unquoted equities	-	-	24,107,710	24,107,710
Investment properties	-	-	90,675,000	90,675,000
	135,057,377	-	119,353,649	254,411,026

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

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21. Disclosure of exposure to Abraaj Group

As at the end of the period, the Company does not have any direct or indirect exposure to Abraaj Group.

22. Approval of condensed financial statements

The condensed financial statements were approved and authorised for issue on 14 August 2018.