

SHARJAH INSURANCE COMPANY P.S.C.

**Review report and interim financial information
for the six months period ended 30 June 2017**

SHARJAH INSURANCE COMPANY P.S.C.

Contents	Pages
Report on review of interim financial information	1
Condensed statement of financial position	2
Condensed statement of income (unaudited)	3
Condensed statement of comprehensive income (unaudited)	4
Condensed statement of changes in equity	5
Condensed statement of cash flows (unaudited)	6
Notes to the condensed financial statements	7 – 28

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Sharjah Insurance Company P.S.C.
Sharjah
United Arab Emirates

Introduction

We have reviewed the accompanying condensed statement of financial position of **Sharjah Insurance Company P.S.C. (the "Company") - Sharjah, United Arab Emirates** as at 30 June 2017 and the related condensed statement of income, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: "*Interim Financial Reporting*".

Deloitte & Touche (M.E.)



Signed by:
Samir Madbak
Registration No. 386
13 August 2017
Sharjah, United Arab Emirates

**Condensed statement of financial position
at 30 June 2017**

	Notes	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
ASSETS			
Non-current assets			
Property and equipment		1,171,488	742,371
Investment properties	4	55,730,000	55,730,000
Investments designated at fair value through other comprehensive income (FVTOCI)	5	125,992,566	141,650,335
Statutory deposit	6	5,000,000	2,500,000
Total non-current assets		187,894,054	200,622,706
Current assets			
Reinsurance contract assets	7	78,635,062	65,026,316
Insurance and other receivables	8	64,844,871	63,194,996
Investments at fair value through profit or loss (FVTPL)	5	34,608,427	38,766,369
Bank balances and cash	9	9,071,655	4,932,627
Total current assets		187,160,015	171,920,308
Total assets		375,054,069	372,543,014
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	137,500,000	137,500,000
Statutory reserve		42,455,173	42,455,173
Voluntary reserve		30,000,000	30,000,000
Cumulative change in fair value of financial investments designated at FVTOCI		(123,886,274)	(120,218,704)
Retained earnings		122,699,468	113,968,124
Total equity		208,768,367	203,704,593
Non-current liabilities			
Provision for employees' end of service indemnity		1,603,548	1,545,624
Current liabilities			
Insurance contract liabilities	7	125,174,994	118,357,433
Insurance and other payables	11	39,507,160	44,216,903
Bank overdrafts	12	-	4,718,461
Total current liabilities		164,682,154	167,292,797
Total liabilities		166,285,702	168,838,421
Total equity and liabilities		375,054,069	372,543,014



Chairman



General Manager

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

**Condensed statement of income (unaudited)
for the six months period ended 30 June 2017**

	Notes	Three months period ended 30 June		Six months period ended 30 June	
		2017 AED	2016 AED	2017 AED	2016 AED
Insurance premium	13	15,570,089	18,774,263	32,508,691	34,907,534
Less: Insurance premium ceded to reinsurers	13	(9,510,242)	(11,406,825)	(13,958,712)	(20,406,604)
Net insurance premium	13	6,059,847	7,367,438	18,549,979	14,500,930
Gross claims incurred		(8,747,966)	(7,394,739)	(18,159,265)	(70,145,976)
Reinsurance share of claims incurred		3,216,954	(2,734,051)	8,153,287	44,587,559
Net claims incurred		(5,531,012)	(10,128,790)	(10,005,978)	(25,558,417)
Net commission earned		1,485,800	2,075,712	6,417,450	5,239,388
Underwriting profit/(loss)		2,014,635	(685,640)	14,961,451	(5,818,099)
General and administrative expenses relating to underwriting activities		(3,127,837)	(2,493,911)	(6,719,442)	(5,501,338)
Net underwriting (loss)/profit		(1,113,202)	(3,179,551)	8,242,009	(11,319,437)
Investment and other income		10,035,248	7,630,790	10,958,432	9,380,105
Finance costs		(82,455)	(9,943)	(88,479)	(12,210)
Unallocated general and administrative expenses		(550,295)	(438,339)	(1,179,255)	(964,649)
Profit/(loss) for the period		8,289,296	4,002,957	17,932,707	(2,916,191)
Basic earnings/(loss) per share	14	0.06	0.03	0.13	(0.02)

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

**Condensed statement of comprehensive income (unaudited)
for the six months period ended 30 June 2017**

	Three months period ended		Six months period ended	
	2017	30 June	2017	30 June
	AED	AED	AED	AED
Profit/(loss) for the period	8,289,296	4,002,957	17,932,707	(2,916,191)
Other comprehensive (loss)/income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net fair value losses on revaluation of investments designated at FVTOCI	(10,452,613)	(7,567,654)	(4,762,722)	(47,444,046)
Gain on sale of investments designated at FVTOCI	1,985,185	849,184	2,018,789	476,271
Total other comprehensive loss for the period	(8,467,428)	(6,718,470)	(2,743,933)	(46,967,775)
Total comprehensive income/(loss) for the period	(178,132)	(2,715,513)	15,188,774	(49,883,966)

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

**Condensed statement of changes in equity
for the six months period ended 30 June 2017**

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Cumulative changes in fair value of investments designated at FVTOCI AED	Retained earnings AED	Total AED
Balance at 31 December 2015 (audited)	137,500,000	40,524,342	30,000,000	(67,256,177)	106,180,129	246,948,294
Loss for the period	-	-	-	-	(2,916,191)	(2,916,191)
Other comprehensive (loss)/income for the period	-	-	-	(47,444,046)	476,271	(46,967,775)
Total comprehensive loss for the period	-	-	-	(47,444,046)	(2,439,920)	(49,883,966)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	1,682,393	(1,682,393)	-
Dividends (Note 19)	-	-	-	-	(6,875,000)	(6,875,000)
Balance at 30 June 2016 (unaudited)	137,500,000	40,524,342	30,000,000	(113,017,830)	95,182,816	190,189,328
Balance at 31 December 2016 (audited)	137,500,000	42,455,173	30,000,000	(120,218,704)	113,968,124	203,704,593
Profit for the period	-	-	-	-	17,932,707	17,932,707
Other comprehensive (loss)/income for the period	-	-	-	(4,762,722)	2,018,789	(2,743,933)
Total comprehensive income for the period	-	-	-	(4,762,722)	19,951,496	15,188,774
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	1,095,152	(1,095,152)	-
Directors' remuneration (Note 19)	-	-	-	-	(500,000)	(500,000)
Dividends (Note 19)	-	-	-	-	(9,625,000)	(9,625,000)
Balance at 30 June 2017 (unaudited)	137,500,000	42,455,173	30,000,000	(123,886,274)	122,699,468	208,768,367

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

**Condensed statement of cash flows (unaudited)
for the six months period ended 30 June 2017**

	Six months period ended 30 June	
	2017	2016
	AED	AED
Cash flows from operating activities		
Profit/(loss) for the period	17,932,707	(2,916,191)
Adjustments for:		
Depreciation of property and equipment	304,256	258,612
Provision for end of service indemnity	133,707	89,850
Investment income	(10,958,432)	(9,380,105)
Finance costs	88,479	12,210
	<hr/>	<hr/>
Operating cash flow before changes in operating assets and liabilities	7,500,717	(11,935,624)
Increase in reinsurance contract assets	(13,608,746)	(45,252,041)
Increase in insurance contract liabilities	6,817,561	57,869,721
Increase in insurance and other receivables	(1,649,875)	(25,242,231)
(Decrease)/increase in insurance and other payables	(4,709,743)	3,230,033
	<hr/>	<hr/>
Cash used in operations	(5,650,086)	(21,330,142)
End of service indemnity paid	(75,783)	(115,840)
Finance costs paid	(88,479)	(12,210)
	<hr/>	<hr/>
Net cash used in operating activities	(5,814,348)	(21,458,192)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property and equipment	(733,373)	(75,957)
Purchase of investments designated at FVTOCI	(938,531)	(22,117,114)
Proceeds from disposal of investments designated at FVTOCI	13,852,367	34,932,076
Proceeds from disposal of investments designated at FVTPL	4,851,046	3,285,400
Increase in statutory deposit	(2,500,000)	-
Dividend received	7,045,078	8,176,324
Income from investment properties	3,167,243	1,136,446
Interest received	53,007	33,264
	<hr/>	<hr/>
Net cash generated from investing activities	24,796,837	25,370,439
	<hr/>	<hr/>
Cash flows from financing activities		
(Decrease) / increase in bank overdrafts	(4,718,461)	1,767,731
Dividends paid	(9,625,000)	(6,875,000)
Director's remuneration paid	(500,000)	-
	<hr/>	<hr/>
Net cash used in financing activities	(14,843,461)	(5,107,269)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	4,139,028	(1,195,022)
Cash and cash equivalents at beginning of the period	2,432,627	4,759,110
	<hr/>	<hr/>
Cash and cash equivalents at end of the period (Note 15)	6,571,655	3,564,088
	<hr/>	<hr/>

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

**Notes to the condensed financial statements
for the six months period ended 30 June 2017**

1. General information

Sharjah Insurance Company P.S.C. - Sharjah (the "Company") is incorporated as a public shareholding company by an Amiri Decree issued by His Highness, The Ruler of Sharjah on 8 March 1970. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies register of Insurance Authority of U.A.E. under registration No.12. The Company operates through its head office in Sharjah and has branches in Dubai and Ajman. The address of the Company's registered office is P.O. Box 792, Sharjah, United Arab Emirates.

The principal activity of the Company is dealing in all types of insurance including life assurance. The Company mainly carries out general insurance business.

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

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

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

- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Financial improvements to IFRS Standards 2014 – 2016 Cycle – Amendments to IFRS 12 *Disclosure of Interest in Other Entities*.

2.2 New and revised IFRS in issue but not yet effective

The Company 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 2014 – 2016 Cycle amending IFRS 1 and IAS 28	1 January 2018

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRSs)
(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>
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> • 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 IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.	1 January 2018
A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.	
A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

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

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

New and revised IFRSs

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

Amendments to IFRS 4: Insurance Contracts which introduces the overlay approach and deferral approach towards implementing IFRS 9 before implementing the replacement standard that the IASB Board is developing for IFRS 4

When IFRS 9 is first applied or 1 January 2021 under deferral approach.

IFRS 15 Revenue from Contracts with Customers

1 January 2018

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

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

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

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

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

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

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

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

New and revised IFRSs

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

IFRS 16 Leases

1 January 2019

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

Amendments to 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 an investor to its associate or joint venture.

Effective date deferred indefinitely

IFRS 17 *Insurance contracts*. The standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts

1 January 2021

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

The application of finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of their standard as the Company is in the process of performing a detailed review.

3. Summary of significant accounting policies

3.1 Basis of preparation

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

The Company is in the process of aligning the operations with the requirement of the regulations relating to investment operations.

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)****3. Summary of significant accounting policies (continued)****3.1 Basis of preparation (continued)**

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 certain financial instruments and investment properties.

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

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

3.1.1 Judgements and estimates

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 accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited financial statements as at and for the year ended 31 December 2016.

3.1.2 Financial risk management

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

The accounting policies in respect of investment properties, investment in securities and property and equipment are disclosed in these condensed 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 properties under construction for such purposes. 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 values 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.

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

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.3 Property and equipment

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 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 considered in the calculation of depreciation for all the assets are 4 - 5 years.

3.4 Investments in securities

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

Investments in equity instruments are 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. Fair value is determined in the manner described in note 21.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

3.4.2 Financial assets designated 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 fair value through other comprehensive income. Designation at fair value through other comprehensive income 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.

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.4 Investments in securities (continued)

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

Investments in equity instruments at fair value through other comprehensive income 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 in equity. When the asset is disposed of, the cumulative gain or loss previously accumulated in the cumulative changes in fair value in equity is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue.

4. Investment properties

Investment properties include properties mortgaged to the Insurance Authority of U.A.E. amounting to AED 22.95 million (31 December 2016: AED 22.95 million) in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and organisation of its operations (see note 6).

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

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 June 2017 (31 December 2016: Level 3) and are located in U.A.E.

5. Investments in securities

(i) Investments carried at fair value through other comprehensive income (FVTOCI)

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Quoted – at fair value	120,132,687	136,124,363
Unquoted – at fair value	5,859,879	5,525,972
	125,992,566	141,650,335
In U.A.E.	98,317,945	113,613,066
In other GCC countries	27,674,621	28,037,269
	125,992,566	141,650,335

Financial assets at FVTOCI with fair value of AED 10.27 million (31 December 2016: AED 11.55 million) are pledged to banks against credit facilities granted to the Company (Note 10).

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

5. Investments in securities (continued)

(ii) Investments carried at fair value through profit or loss (FVTPL)

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Quoted – in U.A.E.	34,608,427	38,766,369

6. 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 Company maintains a bank deposit of AED 5,000,000 (31 December 2016: AED 2,500,000) as a statutory deposit. In addition to the aforementioned fixed deposit there are investment properties with a fair value amounting to AED 22.95 million (31 December 2016: AED 22.95 million) pledged to Insurance Authority.

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

7. Insurance contract liabilities and reinsurance contract assets

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Gross		
Insurance contract liabilities		
Claims reported unsettled	69,641,872	71,820,327
Unallocated loss adjustment exposure reserve	1,655,723	2,079,434
Claims incurred but not reported	21,619,846	17,137,301
Unearned premium/unexpired risk reserve	32,257,553	27,320,371
Total insurance contract liabilities, gross	125,174,994	118,357,433
Recoverable from reinsurers		
Re-insurance contract assets		
Claims reported unsettled	51,262,114	51,089,533
Claims incurred but not reported	13,228,759	7,698,698
Unearned premium/unexpired risk reserve	14,144,189	6,238,085
Total reinsurers' share of insurance liabilities	78,635,062	65,026,316
Net		
Claims reported unsettled	18,379,758	20,730,794
Unallocated loss adjustment exposure reserve	1,655,723	2,079,434
Claims incurred but not reported	8,391,087	9,438,603
Unearned premium/unexpired risk reserve	18,113,364	21,082,286
	46,539,932	53,331,117

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

8. Insurance and other receivables

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Receivables arising from insurance and reinsurance contracts		
Due from policyholders	32,410,614	32,041,844
Allowance for doubtful debts	(5,561,786)	(5,561,786)
	<u>26,848,828</u>	<u>26,480,058</u>
Due from local insurance companies	32,468,917	37,625,268
Due from foreign insurance companies	10,222,051	11,220,445
Due from brokers	563,300	715,048
Allowance for doubtful debts	(14,676,183)	(14,676,183)
	<u>28,578,085</u>	<u>34,884,578</u>
Other receivables		
Prepayments and others	9,417,958	1,830,360
	<u>64,844,871</u>	<u>63,194,996</u>

The average credit period is 120 days. Due from policyholders outstanding between 180 days and 365 days are provided for (other than for government related entities) based on estimated irrecoverable amounts determined by reference to past default experience.

The geographical allocation of receivables arising from insurance and reinsurance contracts is as follows:

30 June 2017

	Inside UAE AED	Outside UAE AED	Total AED
Due from policy holders	32,410,614	-	32,410,614
Due from insurance companies	32,468,917	10,222,051	42,690,968
Due from brokers	563,300	-	563,300
Less: Allowance for doubtful debts	(10,818,223)	(9,419,746)	(20,237,969)
	<u>54,624,608</u>	<u>802,305</u>	<u>55,426,913</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

8. Insurance and other receivables (continued)

	Due from policyholders AED	Due from insurance companies AED	Due from Brokers AED	Total AED
Inside UAE				
Less than 90 days	7,021,218	2,279,103	67,810	9,368,131
91 to 180 days	12,720,552	6,547,659	41,665	19,309,876
181 to 270 days	2,502,747	6,860,711	7,856	9,371,314
271 to 365 days	1,373,759	2,153,931	122	3,527,812
More than 365 days	8,792,338	14,627,513	445,847	23,865,698
Less: Allowance for doubtful debts	(5,561,786)	(5,256,437)	-	(10,818,223)
	<u>26,848,828</u>	<u>27,212,480</u>	<u>563,300</u>	<u>54,624,608</u>
Outside UAE				
Less than 90 days	-	8,523	-	8,523
91 to 180 days	-	8,804	-	8,804
181 to 270 days	-	435,209	-	435,209
271 to 365 days	-	348,908	-	348,908
More than 365 days	-	9,420,607	-	9,420,607
Less: Allowance for doubtful debts	-	(9,419,746)	-	(9,419,746)
	<u>-</u>	<u>802,305</u>	<u>-</u>	<u>802,305</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

8. Insurance and other receivables (continued)

31 December 2016

		Inside UAE AED	Outside UAE AED	Total AED
Due from policy holders		32,041,844	-	32,041,844
Due from insurance companies		37,625,268	11,220,445	48,845,713
Due from brokers		715,048	-	715,048
Less: Allowance for doubtful debts		(10,818,223)	(9,419,746)	(20,237,969)
		<u>59,563,937</u>	<u>1,800,699</u>	<u>61,364,636</u>
		Due from insurance companies AED	Due from brokers AED	Total AED
Inside UAE	Due from policyholders AED			
Less than 90 days	6,011,896	9,464,911	145,872	15,622,679
91 to 180 days	3,213,337	1,985,572	53,983	5,252,892
181 to 270 days	4,709,420	12,013,518	24,819	16,747,757
271 to 365 days	8,539,204	11,883,008	15,512	20,437,724
More than 365 days	9,567,987	2,278,259	474,862	12,321,108
Less: Allowance for doubtful debts	(5,561,786)	(5,256,437)	-	(10,818,223)
	<u>26,480,058</u>	<u>32,368,831</u>	<u>715,048</u>	<u>59,563,937</u>
		Due from insurance companies AED	Due from brokers AED	Total AED
Outside UAE				
Less than 90 days	-	877,116	-	877,116
91 to 180 days	-	58,869	-	58,869
181 to 270 days	-	131,296	-	131,296
271 to 365 days	-	559,915	-	559,915
More than 365 days	-	9,593,249	-	9,593,249
Less: Allowance for doubtful debts	-	(9,419,746)	-	(9,419,746)
	<u>-</u>	<u>1,800,699</u>	<u>-</u>	<u>1,800,699</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

9. Bank balances and cash

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Fixed deposits under lien	2,500,000	2,500,000
Call accounts	53,642	288,205
Current accounts and cash	6,518,013	2,144,422
	9,071,655	4,932,627
Bank balances are held with:		
Banks in U.A.E.	7,637,448	4,279,680
Banks in other G.C.C. countries	1,434,207	652,947
	9,071,655	4,932,627

Fixed deposits are under lien against credit facilities granted to the Company (Note 10).

10. Share capital

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Issued and fully paid 137.5 million ordinary shares of AED 1 each	137,500,000	137,500,000

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

11. Insurance and other payables

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Payables arising from insurance and reinsurance contracts:		
Trade payables	12,417,226	23,719,047
Due to local insurance companies	3,606,894	5,870,259
Due to foreign insurance companies	12,818,213	5,996,630
Due to brokers	145,472	140,409
Premium reserve withheld	6,386,967	4,716,450
	<u>35,374,772</u>	<u>40,442,795</u>
Other payables		
Accrued expenses and provisions	1,479,490	1,168,727
Unclaimed dividend	2,562,898	2,562,898
Other payables	90,000	42,483
	<u>39,507,160</u>	<u>44,216,903</u>

The geographical allocation of payables arising from insurance and reinsurance contracts is as follows:

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Payables – Inside UAE	22,556,559	34,446,165
Payables – Outside UAE	12,818,213	5,996,630
	<u>35,374,772</u>	<u>40,442,795</u>
	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Inside UAE		
Trade payables	12,417,226	23,719,047
Due to insurance companies	3,606,894	5,870,259
Due to brokers	145,472	140,409
Premium reserve withheld	6,386,967	4,716,450
	<u>22,556,559</u>	<u>34,446,165</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

11. Insurance and other payables (continued)

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Outside UAE		
Due to insurance companies	12,818,213	-

12. Bank overdrafts

Bank overdrafts are secured by lien over fixed deposit of AED 2.5 million and pledge over investments designated at FVTOCI having a fair value of AED 10.27 million (2016: AED 11.55 million). Bank overdrafts is nil as at 30 June 2017.

13. Insurance premium

	Three months period ended 30 June		Six months period ended 30 June	
	2017 (unaudited) AED	2016 (unaudited) AED	2017 (unaudited) AED	2016 (unaudited) AED
Gross premium written				
Gross premium written	11,918,253	15,772,336	37,787,016	44,428,866
Change in unearned premium	3,651,836	3,001,927	(5,278,325)	(9,521,332)
	15,570,089	18,774,263	32,508,691	34,907,534
Reinsurance premium ceded				
Reinsurance premium ceded	(7,914,024)	(10,293,070)	(22,192,233)	(24,610,200)
Change in unearned premium	(1,596,218)	(1,113,755)	8,233,521	4,203,596
	(9,510,242)	(11,406,825)	(13,958,712)	(20,406,604)
Net insurance premium	6,059,847	7,367,438	18,549,979	14,500,930

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

14. Basic earnings/(loss) per share

	Three months period ended 30 June		Six months period ended 30 June	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Profit/(loss) for the period (in AED)	8,289,296	4,002,957	17,932,707	(2,916,191)
Number of shares	137,500,000	137,500,000	137,500,000	137,500,000
Basic earnings/(loss) per share (in AED)	0.06	0.03	0.13	(0.02)

15. Cash and cash equivalents

	30 June 2017 (unaudited) AED	30 June 2016 (unaudited) AED
Bank balances and cash	9,071,655	6,064,088
Fixed deposits under lien	(2,500,000)	(2,500,000)
	6,571,655	3,564,088

16. Seasonality of results

Investment and other income for the current period include dividend income of AED 7,045,078 (six months period ended 30 June 2016: AED 8,176,324) which is of a seasonal nature.

17. Related party 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.

17.1 Balances:

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

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Due from policyholders	426,470	1,364,893
Gross outstanding claims	47,750	669,743

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 or doubtful debts in respect of the amounts owed by related parties.

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

17. Related party transactions (continued)

17.2 Transactions:

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

	Three months period ended		Six months period ended	
	2017 (unaudited) AED	30 June 2016 (unaudited) AED	2017 (unaudited) AED	30 June 2016 (unaudited) AED
Gross premiums written	495,776	330,822	1,108,284	1,031,782
Claims paid	39,850	76,750	81,050	88,350
Rent expenses	186,250	186,250	372,500	372,500

The Company has entered into above transactions with related parties which were made on substantially the same terms, as those prevailing at the same time for comparable transactions with third parties.

17.3 Key management compensation

	Three months period ended		Six months period ended	
	2017 (unaudited) AED	30 June 2016 (unaudited) AED	2017 (unaudited) AED	30 June 2016 (unaudited) AED
Director's remuneration	-	-	500,000	-
Short-term benefits	135,000	135,000	270,000	285,000
Long-term benefits	5,625	5,625	11,250	11,875

18. Contingent liabilities and capital commitments

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Letters of guarantee	131,313	131,313
Capital commitments towards intangible assets	672,480	1,000,000

19. Dividends

At the Annual General Meeting held on 27 March 2017, shareholders approved a cash dividend of 7 fils per share amounting to AED 9.63 million for the year 2016 (2016: 5 fils per share amounting to AED 6.88 million for the year 2015). The Shareholders also approved Board of Directors' remuneration of AED 0.5 million for 2016 (2015: Nil).

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

20. Segment information

The Company is organised into two segments: Underwriting and investments. Underwriting segment is organised into four main business segments, accident and liabilities insurance, fire insurance, marine insurance and other classes of insurance.

These segments are the basis on which the Company reports its primary segment information to the Managing Director.

Insurance premium represents the total income arising from insurance contracts. The Company does not conduct any business outside U.A.E. There are no transactions between the business segments.

Segmental information is presented below:

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

20. Segment information (continued)

For the six months period ended 30 June 2016 (unaudited)

	Underwriting (AED)				Investments		Total
	Accident and liabilities	Fire	Marine	Others	Total	AED	
Segment revenue – gross revenue	33,631,791	8,554,237	1,499,608	743,230	44,428,866	-	44,428,866
Segment result (net)	(11,930,280)	(183,674)	515,681	278,836	(11,319,437)	9,367,895	(1,951,542)
Unallocated costs							(964,649)
Loss for the period							(2,916,191)
As at 31 December 2016 (audited)							
Segment assets					130,721,312	238,646,704	369,368,016
Unallocated assets							3,174,998
Total assets							372,543,014
Segment liabilities					164,729,899	-	164,729,899
Unallocated liabilities							4,108,522
Total liabilities							168,838,421

There are no transactions between the business segments.

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

21. Fair value measurements

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

21.1 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 financial statements approximate their fair values.

21.2 Fair value of financial instruments carried at fair value

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

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

21.2.2 Fair value measurements recognised in the condensed statement of financial position

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).

**Notes to the condensed financial statements
for the six months period ended 30 June 2017 (continued)**

21. Fair value measurements (continued)

21.2 Fair value of financial items carried at fair value (continued)

21.2.2 Fair value measurements recognised in the condensed statement of financial position (continued)

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 2017 (unaudited) AED	31 December 2016 (audited) AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Investment carried at FVTOCI						
Quoted equity securities	120,132,687	136,124,363	Level 1	Quoted bid prices in an active market.	None.	NA
Unquoted equity securities	5,859,879	5,525,972	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Investment carried at FVTPL						
Quoted equity securities	34,608,427	38,766,369	Level 1	Quoted bid prices in an active market.	None.	NA

There were no transfers between each 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

22. Approval of the condensed financial statements

The condensed financial statements were approved by the Board of Directors and authorised for issue on 13 August 2017.