Dubai Insurance Company
(Public Shareholding Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2018

Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DUBAI INSURANCE COMPANY (PSC)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Dubai Insurance Company (PSC) (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2018 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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.

Basis for Qualified Conclusion

1) The Group's technical reserves as at 30 June 2018 include net additional reserves amounting to AED 26,605 thousand (31 December 2017: AED 16,774 thousand). The Group's management believes that the reserves recorded are required to accommodate unforeseen insurance risk. Of these additional reserves, AED 7,342 thousand is recorded over and above the reserves balance that has been substantiated by management against the requirements of IFRS 4 Insurance Contracts. Consequently claims incurred and additional reserves are overstated and profit for the six month period and retained earnings are understated by the same amount. Profit for the three month period ended 30 June 2018 is understated for the same reason by AED 3,500 thousand.
2) The Group has receivables with a value of AED 2,741 thousand where provision is required for doubtful recovery but has not been recorded. Consequently insurance receivables, profit for the three and six month periods and retained earnings are overstated and underwriting expenses are understated by the same amount.

Qualified Conclusion

Based on our review, with the exception of the matters described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young

Ali Eltilib
Partner
Registration No. 1118

1 August 2018

Dubai, United Arab Emirates

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the period ended 30 June 2018 (Unaudited)

	Note	Three months ended 30 June 2018 AED '000	Three months ended 30 June 2017 AED '000	Six months ended 30 June 2018 AED '000	Six months ended 30 June 2017 AED '000
UNDERWRITING INCOME					
Gross premium		**135,100**	130,588	**317,005**	311,905
Movement in provision for unearned premium		**(15,315)**	(17,924)	**(72,213)**	(76,977)
Insurance premium revenue		**119,785**	112,664	**244,792**	234,928
Reinsurance share of premium		**(101,806)**	(85,714)	**(215,100)**	(219,991)
Movement in provision for reinsurance share of unearned premium		**24,611**	5,822	**57,543**	51,668
		(77,195)	(79,892)	**(157,557)**	(168,323)
Net insurance premium revenue		**42,590**	32,772	**87,235**	66,605
Reinsurance commission income		**2,953**	9,565	**4,185**	21,339
Other income		**6**	55	**7**	58
Total underwriting income		**45,549**	42,392	**91,427**	88,002
UNDERWRITING EXPENSES					
Claims incurred		**104,403**	106,154	**205,658**	199,546
Reinsurers' share of claims incurred		**(80,407)**	(87,150)	**(154,357)**	(165,711)
Net claims incurred		**23,996**	19,004	**51,301**	33,835
Commission expenses		**2,810**	8,859	**3,660**	19,218
Excess of loss reinsurance premium		**339**	1,025	**679**	1,234
General and administrative expenses relating to underwriting activities		**6,003**	5,034	**11,500**	9,746
Other expenses		**3,234**	4,148	**4,301**	8,647
Total underwriting expenses		**36,382**	38,070	**71,441**	72,680
NET UNDERWRITING INCOME		**9,167**	4,322	**19,986**	15,322
INVESTMENT INCOME					
Realised (loss)/ gain on sale of investments		**(823)**	(7)	**(871)**	5
Fair value gain/ (loss) on financial assets at fair value through profit or loss		**165**	174	**(1,066)**	(867)
Other investment income		**12,383**	9,767	**15,382**	15,359
Other investment costs		**(288)**	(306)	**(652)**	(544)
		11,437	9,628	**12,793**	13,953
OTHER INCOME AND EXPENSES					
General and administrative expenses not allocated		**(1,978)**	(1,645)	**(3,759)**	(3,137)
Other income/(expenses)		**20**	(106)	**34**	(12)
		(1,958)	(1,751)	**(3,725)**	(3,149)
PROFIT FOR THE PERIOD		**18,646**	12,199	**29,054**	26,126
Basic and diluted earnings per share (AED)	3	**0.186**	0.122	**0.290**	0.261

The attached explanatory notes 1 to 15 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2018 (Unaudited)

	Three months ended 30 June		***Six months ended 30 June***	
	2018 AED '000	*2017 AED '000*	***2018 AED '000***	*2017 AED '000*
Profit for the period	**18,646**	12,199	**29,054**	26,126
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that could not be reclassified to profit or loss in subsequent periods:				
Net unrealised (loss)/ income on financial assets at fair value through other comprehensive income	**(13,812)**	(12,015)	**3,440**	(23,589)
Other comprehensive (loss)/ income for the period	**(13,812)**	(12,015)	**3,440**	(23,589)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**4,834**	184	**32,494**	2,537

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 (Unaudited)

	Notes	*30 June 2018 AED'000*	*31 December 2017 AED'000 Audited*
ASSETS			
Property and equipment	4	**46,917**	46,681
Investment property	5	**1,670**	1,670
Advance for investment properties	6	**28,688**	21,258
Financial instruments	7	**402,328**	463,062
Reinsurance assets		**493,051**	421,977
Insurance receivables		**314,554**	175,536
Prepayments and other receivables		**38,984**	14,528
Statutory deposits		**10,000**	10,000
Cash and cash equivalents	8	**26,428**	28,068
TOTAL ASSETS		**1,362,620**	1,182,780
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**100,000**	100,000
Statutory reserve	11	**50,000**	50,000
General reserve	11	**13,000**	13,000
Retained earnings		**146,605**	142,551
Cumulative changes in fair value of investments	11	**172,801**	169,361
Total equity		**482,406**	474,912
Liabilities			
Bank loan	9	**19,909**	44,456
Employees' end of service benefits		**3,601**	3,503
Insurance contract liabilities		**606,092**	510,115
Amounts held under reinsurance treaties		**27,964**	30,681
Reinsurance balances payable		**158,975**	75,141
Insurance and other payables		**63,673**	43,972
Total liabilities		**880,214**	707,868
TOTAL EQUITY AND LIABILITIES		**1,362,620**	1,182,780

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 31 July 2018.

Buti Obaid Almulla
Chairman

Abdellatif Abuqurah
Chief Executive Officer

The attached explanatory notes 1 to 15 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2018 (Unaudited)

	Share capital AED '000	*Statutory reserve AED '000*	*General reserve AED '000*	*Retained earnings AED '000*	*Proposed dividends AED '000*	*Cumulative changes in fair value of investments AED '000*	*Total AED '000*
Balance at 1 January 2018	100,000	50,000	13,000	142,551	-	169,361	474,912
Profit for the period	-	-	-	29,054	-	-	29,054
Other comprehensive income	-	-	-	-	-	3,440	3,440
Total comprehensive income for the period	-	-	-	29,054	-	3,440	32,494
Cash dividend declared and paid (Note 12)	-	-	-	(25,000)	-	-	(25,000)
Balance at 30 June 2018	**100,000**	**50,000**	**13,000**	**146,605**	-	**172,801**	**482,406**
Balance at 1 January 2017	100,000	50,000	13,000	130,811	-	190,796	484,607
Profit for the period	-	-	-	26,126	-	-	26,126
Other comprehensive income	-	-	-	-	-	(23,589)	(23,589)
Total comprehensive income for the period	-	-	-	26,126	-	(23,589)	2,537
Cash dividend declared and paid (Note 12)	-	-	-	(25,000)	-	-	(25,000)
Balance at 30 June 2017	100,000	50,000	13,000	131,937	-	167,207	462,144

The attached explanatory notes 1 to 15 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 June 2018 (Unaudited)

	Note	Six months ended 30 June 2018 AED '000	Six months ended 30 June 2017 AED '000
OPERATING ACTIVITIES			
Profit for the period		**29,054**	26,126
Adjustments for:			
Depreciation on property and equipment		**617**	795
Provision for employees' end of service benefits		**231**	209
Gain on sale of investments in debt instruments at amortised cost		**871**	6
		30,773	27,136
Changes in operating assets and liabilities:			
Reinsurance assets		**(71,074)**	(54,904)
Insurance receivables		**(139,018)**	(86,414)
Prepayments and other assets		**(24,456)**	(9,319)
Insurance contract liabilities		**95,977**	92,926
Amounts held under reinsurance treaties		**(2,717)**	(1,875)
Reinsurance balances payable		**83,834**	49,774
Insurance and other payables		**19,701**	(6,346)
Cash (used in) / generated from operations		**(6,980)**	10,978
Employees' end of service paid		**(133)**	(43)
Net cash (used in)/ from operating activities		**(7,113)**	10,935
INVESTING ACTIVITIES			
Investments held at amortised cost		**38,547**	(911)
Financial investments at fair value through profit or loss		**26,593**	20,920
Financial investments at fair value through other comprehensive income		**(1,837)**	53
Advance for investment property		**(7,430)**	(6,133)
Purchase of property and equipment		**(853)**	(669)
Net cash generated from investing activities		**55,020**	13,260
FINANCING ACTIVITIES			
Dividends paid		**(25,000)**	(25,000)
Net movement in bank loan		**(24,547)**	846
Net cash used in financing activities		**(49,547)**	(24,154)
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(1,640)**	41
Cash and cash equivalents at 1 January		**28,068**	32,311
CASH AND CASH EQUIVALENTS AT 30 JUNE	8	**26,428**	32,352

The attached explanatory notes 1 to 15 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

Dubai Insurance Company (PSC) (the "Company") is a public shareholding Company registered under the Federal Law No. 8 of 1984 (as amended) and the UAE Federal Law No. (6) of 2007 relating to commercial companies in the UAE. The Federal Law No.2 of 2015, concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing Federal Law No.8 of 1984. The Company mainly issues short term insurance contracts in connection with motor, marine, fire, engineering, general accident and medical risks (collectively known as general insurance) and group life and individual life risk (collectively referred to as life assurance). The Company also invests its funds in investment securities and properties. The registered address of the Company is P.O. Box 3027, Dubai, United Arab Emirates. The Company operates in United Arab Emirates and most of the insurance policies are issued in the United Arab Emirates. The shares of the Company are listed on the Dubai Financial Market.

During 2010, the Company established a new subsidiary for investment purposes. These consolidated financial statements incorporate the financial statements of the Company and its subsidiary (collectively referred to as the "Group").

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34").

Interim reporting
The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2017.

Changes in accounting estimates
The accounting estimates used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2017 except for the adoption of the below mentioned changes in accounting estimates implemented by management from 1 January 2018.

Deferred Acquisition Cost
Those direct and indirect costs incurred during the financial period arising from acquiring or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums from insurance contract. All other acquisition costs are recognised as an expense during the period.

Subsequent to initial recognition, this DAC asset for insurance contracts is amortised over the period in which the related revenues are earned. The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the statement of profit or loss.

Deferred Commission Income
Commission income are deferred and recognised as revenue over the period in which the related services are performed.

As a result of the change, profit for the period is higher by AED 496 thousand, earning per share is higher by AED 0.004, insurance and other receivables is higher by AED 12,414 thousand and insurance and other payables is higher by 11,918 thousand.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

New standards, interpretations and amendments
The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these interim condensed consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17). The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

The Group has early applied the IFRS 9 from 1 January 2010 and reclassified, with effect from 1 January 2010, all available for sale securities that were still held as at fair value through OCI. Application of the other phases of the standard is effective from 2018 and therefore Management performed the impact assessment and concluded that there is no material impact on the financial statements for the period ended 30 June 2018.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group expects to apply IFRS 15 using the modified retrospective application. Given insurance contracts are scoped out of IFRS 15, the Group expects the main impact of the new standard to be on the accounting for income from investments. Management performed the impact assessment and concluded that there is no material impact on the financial statements for the period ended 30 June 2018.

These condensed consolidated financial statements do not include all disclosures and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017. In addition, results for the six months ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

2.2 BASIS OF CONSOLIDATION

The Group comprises of the Company and the under-mentioned subsidiary company.

Subsidiary	*Principal activity*	*Country of incorporation*	*Ownership*
Vattaun Limited	Investment	British Virgin Island	100%

Basis of consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 2018.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Basis of consolidation (continued)
Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period, net of directors' fees, by the weighted average number of shares outstanding during the period as follows:

	Three months ended 30 June		*Six months ended 30 June*	
	2018	*2017*	***2018***	*2017*
Profit for the period (AED'000)	**18,646**	12,199	**29,054**	26,126
Weighted average number of shares outstanding during the period ('000)	**100,000**	100,000	**100,000**	100,000
Earnings per share (AED)	**0.186**	0.122	**0.290**	0.261

No figures for diluted earnings have been presented because the Group has not issued any instruments which would have an impact on earnings per share when exercised.

4 PROPERTY AND EQUIPMENT

Included in property and equipment is land situated in the Emirate of Dubai, United Arab Emirates with a carrying value of AED 44,173 thousand. The Group's Board of Directors has resolved to construct the Group's head office on the land in the foreseeable future.

5 INVESTMENT PROPERTY

Investment properties represent the Company's investments in freehold land and building situated in the Emirate of Dubai, United Arab Emirates.

6 ADVANCE FOR INVESTMENT PROPERTIES

This represents advance given for three investment properties within United Arab Emirates, For one of the properties the Company has paid 100% of the due amount during the period ended 30 June 2018 and the title deed was issued subsequent to period end. Advance for the other two investment properties represent 70% of the total cost of the properties and the remaining 30% of the total cost is capital commitment as mentioned in Note 15.

7 FINANCIAL INSTRUMENTS

	Carrying value		*Fair value*	
	30 June 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*	***30 June 2018 AED'000 (Unaudited)***	*31 December 2017 AED'000 (Audited)*
Financial instruments				
At fair value through profit or loss (Note 7.1)	**39,307**	65,900	**39,307**	65,900
At fair value through other comprehensive income (Note 7.2)	**315,475**	310,198	**315,475**	310,198
Investments held at amortised cost (Note 7.3)	**47,546**	86,964	**45,112**	86,829
	402,328	463,062	**399,894**	462,927

7.1 FINANCIAL ASSETS AT FAIR VALUES THROUGH PROFIT OR LOSS

		30 June 2018 AED'000	*31 December 2017 AED'000 (Audited)*
a)	***Shares - quoted***	**3,288**	4,354
b)	***Designated upon initial recognition***		
	Bank deposits with maturity over three months - unquoted	**36,019**	61,546
		39,307	65,900

The entire shares and bank deposits are within the United Arab Emirates.

7.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)

	30 June 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Shares – quoted (within UAE)	**288,411**	285,708
Shares – unquoted (Outside UAE)	**16,864**	14,290
Shares – unquoted (within UAE)	**10,200**	10,200
	315,475	310,198

The fair value changes amounting to AED 3,440 thousand (31 December 2017: AED 21,435 thousand) have been recognised in the consolidated statement of comprehensive income.

7 FINANCIAL INSTRUMENTS (continued)

7.3 DEBT INSTRUMENTS AT AMORTISED COST

	30 June 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Amortised cost		
Debt securities (within UAE)	**14,670**	17,348
Debt securities (outside UAE)	**32,876**	69,616
	47,546	86,964

Debt securities amounting to AED 47,546 thousand (2017: AED 86,964 thousand) are pledged against bank loan (Note 9). The investments carry interest at an effective rate of 4.75% per annum (2017: 4.75% per annum). The maturity profile of these debt instruments is shown below:

	30 June 2018		
	Less than 5 years AED'000	***More than 5 years AED'000***	***Total AED'000***
Debt securities (within UAE)	**10,588**	**4,082**	**14,670**
Debt securities (outside UAE)	**13,460**	**19,416**	**32,876**
	24,048	**23,498**	**47,546**

	31 December 2017 (audited)		
	Less than 5 years AED'000	*More than 5 years AED'000*	*Total AED'000*
Debt securities (within UAE)	11,745	5,603	17,348
Debt securities (outside UAE)	36,932	32,684	69,616
	48,677	38,287	86,964

As of 30 June 2018, the Group does not have any investments in or other exposure to Abraaj Holdings, its subsidiaries or any of the funds managed by the Abraaj Holdings or any of its subsidiaries.

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	30 June 2018 AED'000	*30 June 2017 AED'000*	*31 December 2017 AED'000 (Audited)*
Bank balances and cash	**26,428**	32,352	28,068

Above balance represents the cash and cash equivalents in United Arab Emirates, Europe & GCC.

9 BANK LOAN

	30 June 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Loan I	-	18,462
Loan II	**13,785**	18,122
Loan III	**6,124**	7,872
	19,909	44,456

Loan I
During the period, the Group has settled the loan and disposed the debt instruments at amortised cost.

Loan II
In 2015, the Group entered into credit facility agreements with an international bank. The loan facilities are secured against investments in debt instruments held at amortised cost amounting to AED 23,375 thousand (31 December 2017: AED 27,474 thousand) used for the Group's investment operations and carries interest at 1 month USD LIBOR plus 0.5% per annum. The tenure of the loans are directly linked to the maturity period of the debt instruments which are financed by the loan. The debt instruments have maturity periods of 1 to 31 years.

Loan III
In 2015, the Group entered into credit facility agreements with a local bank. The loan facilities are secured against investments in debt instruments held at amortised cost amounting to AED 24,171 thousand (31 December 2017: AED 27,296 thousand) used for the Group's investment operations and carry interest at 3 months USD LIBOR plus 1.1% per annum. The tenure of the loans are directly linked to the maturity period of the debt instruments which are financed by the loan. The debt instruments have maturity periods of 2 to 16 years.

10 SHARE CAPITAL

	30 June 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Issued and fully paid 100,000,000 shares of AED 1each (2017: 100,000,000 share of AED 1 each)	**100,000**	100,000

11 RESERVES

NATURE AND PURPOSE OF RESERVES

- **STATUTORY RESERVE**

In accordance with the UAE Commercial Companies Law and the Group's Article of Association, the Group has resolved not to increase the statutory reserve above an amount equal to 50% of its paid up share capital. Accordingly, no transfers have been made during the three months period ended 30 June 2018. The reserve is not available for distribution except in the circumstances stipulated by the law.

- **GENERAL RESERVE**

Transfers to the general reserve are made on the recommendation of the Board of Directors. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

- **CUMULATIVE CHANGES IN FAIR VALUE OF INVESTMENTS**

This reserve records fair value changes on financial instruments held at fair value through other comprehensive income.

12 PROPOSED AND PAID DIVIDENDS

	30 June 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Cash dividend for 2017 of AED 0.25 per share (declared and paid)	**25,000**	-
Cash dividend for 2016 of AED 0.25 per share (declared and paid)	-	25,000
	25,000	25,000
Proposed for approval at Annual General Meeting: (2017: Cash dividend of AED 0.25 per share)	-	25,000
	-	25,000

13 SEGMENTAL INFORMATION

Primary segment information

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

- The general insurance segment, comprises motor, marine, fire, engineering and general accident.
- The medical and life segment, includes individual and group life and medical insurance.
- Investment comprises investment and cash management for the Group's own account.

Transactions between operating segments are conducted at estimated market rates on an arm's length basis. Operating segment information is presented below:

Three months ended 30 June

	General insurance		***Medical and Life assurance***		***Total***	
	30 June 2018 AED'000	*30 June 2017 AED'000*	***30 June 2018 AED'000***	*30 June 2017 AED'000*	***30 June 2018 AED'000***	*30 June 2017 AED'000*
UNDERWRITING INCOME						
Insurance premium revenue	**64,399**	51,019	**55,386**	61,645	**119,785**	112,664
Reinsurers' share of premium	**(37,924)**	(36,452)	**(39,271)**	(43,440)	**(77,195)**	(79,892)
Net insurance premium revenue	**26,475**	14,567	**16,115**	18,205	**42,590**	32,772
Reinsurance commission income	**3,026**	8,868	**(73)**	697	**2,953**	9,565
Other income	**6**	55	**-**	-	**6**	55
	29,507	23,490	**16,042**	18,902	**45,549**	42,392
UNDERWRITING EXPENSES						
Claims incurred	**59,724**	56,205	**44,679**	49,949	**104,403**	106,154
Reinsurers' share of claims incurred	**(44,546)**	(47,627)	**(35,861)**	(39,523)	**(80,407)**	(87,150)
Net claims incurred	**15,178**	8,578	**8,818**	10,426	**23,996**	19,004
Commission expenses	**1,721**	6,304	**1,089**	2,555	**2,810**	8,859
Excess of loss reinsurance premium	**339**	1,025	**-**	-	**339**	1,025
General and administration expenses relating to underwriting activities	**3,368**	2,435	**2,635**	2,599	**6,003**	5,034
Other expenses	**123**	93	**3,111**	4,055	**3,234**	4,148
	20,729	18,435	**15,653**	19,635	**36,382**	38,070

13 SEGMENTAL INFORMATION (continued)

	Three months ended 30 June					
	General insurance		***Medical and Life assurance***		***Total***	
	30 June 2018 AED'000	*30 June 2017 AED'000*	***30 June 2018 AED'000***	*30 June 2017 AED'000*	***30 June 2018 AED'000***	*30 June 2017 AED'000*
NET UNDERWRITING INCOME	**8,778**	5,055	**389**	(733)	**9,167**	4,322
TOTAL INVESTMENT INCOME					**11,437**	9,628
Unallocated other expenses					**(1,958)**	(1,751)
PROFIT FOR THE PERIOD					**18,646**	12,199

	Six months ended 30 June					
	General insurance		***Medical and Life assurance***		***Total***	
	30 June 2018 AED'000	*30 June 2017 AED'000*	***30 June 2018 AED'000***	*30 June 2017 AED'000*	***30 June 2018 AED'000***	*30 June 2017 AED'000*
UNDERWRITING INCOME						
Insurance premium revenue	**123,555**	100,487	**121,237**	134,441	**244,792**	234,928
Reinsurers' share of premium	**(74,216)**	(74,715)	**(83,341)**	(93,608)	**(157,557)**	(168,323)
Net insurance premium revenue	**49,339**	25,772	**37,896**	40,833	**87,235**	66,605
Reinsurance commission income	**4,119**	20,023	**66**	1,316	**4,185**	21,339
Other income	**7**	58	**-**	-	**7**	58
	53,465	45,853	**37,962**	42,149	**91,427**	88,002
UNDERWRITING EXPENSES						
Claims incurred	**118,628**	97,507	**87,030**	102,039	**205,658**	199,546
Reinsurers' share of claims incurred	**(87,352)**	(83,179)	**(67,005)**	(82,532)	**(154,357)**	(165,711)
Net claims incurred	**31,276**	14,328	**20,025**	19,507	**51,301**	33,835
Commission expenses	**2,259**	13,112	**1,401**	6,106	**3,660**	19,218
Excess of loss reinsurance premium	**679**	1,234	**-**	-	**679**	1,234
General and administration expenses relating to underwriting activities	**5,630**	4,360	**5,870**	5,386	**11,500**	9,746
Other expenses	**223**	195	**4,078**	8,452	**4,301**	8,647
	40,067	33,229	**31,374**	39,451	**71,441**	72,680
NET UNDERWRITING INCOME	**13,398**	12,624	**6,588**	2,698	**19,986**	15,322
TOTAL INVESTMENT INCOME					**12,793**	13,953
Unallocated other expenses					**(3,725)**	(3,149)
PROFIT FOR THE PERIOD					**29,054**	26,126

14 SEASONALITY OF RESULTS

Dividend income amounted to AED 11,465 thousand and AED 13,615 thousand for the three month and six month periods ended 30 June 2018, respectively, and to AED 8,633 thousand and AED 12,878 thousand for the three month and six month periods ended 30 June 2017, respectively. Dividend income depends on market conditions, investment activities of the Group and declaration of profits by investee companies, which are of a seasonal nature. Accordingly, results for the period ended 30 June 2018 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2018.

15 CONTINGENCIES AND COMMITMENTS

At 30 June 2018, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 10,468 thousand (31 December 2017: AED 10,405 thousand).

Legal claims
The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.

Capital commitments
The Group's capital commitment on investment property is payable as follows:

	30 June 2018 AED'000	*31 December 2017 AED'000 (Audited)*
Less than 1 year	**5,300**	11,258
Between one and two years	**-**	1,472
	5,300	12,730