

**ALLIANCE INSURANCE P.S.C.**  
**Dubai, United Arab Emirates**

**Review report and condensed interim financial information  
for the three months period ended 31 March 2019**

**ALLIANCE INSURANCE P.S.C.**

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## INDEPENDENT AUDITOR'S REVIEW REPORT

**The Board of Directors  
Alliance Insurance P.S.C.  
Dubai  
United Arab Emirates**

### *Introduction*

We have reviewed the accompanying condensed statement of financial position of **Alliance Insurance P.S.C. (the "Company")**, Dubai, United Arab Emirates, as at 31 March 2019 and the related condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended. Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*". Our responsibility is to express a conclusion on these condensed 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 condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: "*Interim Financial Reporting*".

### *Other Matter*

The condensed interim financial information of the Company for the three months ended 31 March 2018 and the annual financial statements for the year ended 31 December 2018 were reviewed and audited by other auditors, whose review report dated 10 May 2018 and audit report dated 5 March 2019 expressed an unmodified conclusion and opinion respectively.

Deloitte & Touche (M.E.)



Signed by:  
Samir Madbak  
Registration No. 386  
12 May 2019  
Sharjah, United Arab Emirates

**Condensed statement of financial position  
at 31 March 2019**

	Notes	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
<b>ASSETS</b>			
Property and equipment		5,479,436	5,710,855
Investment at amortised cost	6	212,447,627	178,652,465
Investments carried at fair value through other comprehensive income	7	4,889,652	4,497,053
Investment properties	8	201,250,000	201,250,000
Statutory deposits	9	10,000,000	10,000,000
Loans guaranteed by life insurance policies		47,725,105	45,947,427
Premiums and insurance balances receivable	10	60,843,523	49,910,745
Reinsurers' share of technical provisions	11	138,414,028	127,896,134
Other receivables and prepayments	12	25,961,075	16,709,887
Deposits	13	631,203,219	664,474,859
Cash and cash equivalents	14	60,380,251	26,262,592
<b>Total assets</b>		<b>1,398,593,916</b>	<b>1,331,312,017</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued and paid up share capital	15	100,000,000	100,000,000
Statutory reserve		80,410,216	80,410,216
Regular reserve		70,821,016	70,821,016
General reserve		210,000,000	210,000,000
Cumulative change in fair value of securities		(5,873,914)	(6,266,513)
Retained earnings		55,922,553	42,390,560
<b>Total equity</b>		<b>511,279,871</b>	<b>497,355,279</b>
<b>Liabilities</b>			
Provision for end of service indemnity		4,946,931	4,954,181
Accounts payable	16	79,979,136	48,502,825
		<b>84,926,067</b>	<b>53,457,006</b>
<b>Insurance liabilities</b>			
Insurance contract liabilities	16	51,591,066	51,121,277
Premium collected in advance		8,123,231	9,074,725
		<b>59,714,297</b>	<b>60,196,002</b>
<b>Technical provisions</b>			
Unearned premium reserve	11	92,407,265	75,697,127
Deferred reinsurance commission reserve - net		(996,278)	(79,754)
Claims under settlement reserve		76,475,500	76,061,643
Incurred but not reported reserve		5,867,807	6,367,102
Unallocated loss adjustment expense reserve		492,793	502,307
Unexpired risk reserve		482,192	664,484
Mathematical reserve		567,944,402	561,090,821
<b>Total technical provisions</b>		<b>742,673,681</b>	<b>720,303,730</b>
<b>Total liabilities</b>		<b>887,314,045</b>	<b>833,956,738</b>
<b>Total equity and liabilities</b>		<b>1,398,593,916</b>	<b>1,331,312,017</b>

  
Sheikh Ahmed Bin Saeed Al Maktoum  
Chairman

  
Saeed Mohammed Alkamda  
Vice- Chairman

  
Aimen Saba Azara  
Board Member and General Manager

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

**Condensed statement of profit or loss (unaudited)  
for the three months period ended 31 March 2019**

	<b>Three months period ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>AED</b>	<b>AED</b>
Gross premiums	<b>85,491,190</b>	88,683,529
Reinsurance share of gross premiums	<b>(44,426,435)</b>	(47,111,988)
<b>Net premium</b>	<b>41,064,755</b>	41,571,541
Net change in unearned premium reserve	<b>(4,564,797)</b>	(5,242,193)
<b>Net premium earned</b>	<b>36,499,958</b>	36,329,348
Commissions received	<b>3,861,419</b>	3,499,782
Commissions paid	<b>(3,869,471)</b>	(3,964,990)
Movement in deferred reinsurance commission reserves — net	<b>840,113</b>	388,889
<b>Gross underwriting income</b>	<b>37,332,019</b>	36,253,029
Gross claims paid	<b>(12,369,277)</b>	(10,115,638)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	<b>6,644,504</b>	5,752,181
<b>Net claims paid</b>	<b>(5,724,773)</b>	(4,363,457)
Movement of outstanding claims, incurred but not reported claims reserve, unexpired risk reserve and unallocated loss adjustment expense reserve	<b>(1,273,781)</b>	(1,487,262)
Earnings and cancellations of life insurance policies	<b>(13,390,858)</b>	(14,940,583)
Increase in mathematical reserves	<b>(6,853,581)</b>	(3,216,863)
<b>Net claims incurred</b>	<b>(27,242,993)</b>	(24,008,165)
<b>Net underwriting income</b>	<b>10,089,026</b>	12,244,864
Income from financial investments	<b>9,953,341</b>	10,271,246
Income from investments property - net	<b>3,661,703</b>	3,773,133
Foreign currency exchange gain	<b>97,262</b>	130,422
Other income	<b>694,911</b>	712,965
<b>Total income</b>	<b>24,496,243</b>	27,132,630
General and administrative expenses	<b>(6,544,203)</b>	(6,019,432)
Bonuses and rebates (net of reinsurance)	<b>(3,606,491)</b>	(6,136,612)
Other operating expenses	<b>(813,556)</b>	(841,633)
<b>Profit for the period</b>	<b>13,531,993</b>	14,134,953
<b>Basic and diluted earnings per share (Note 17)</b>	<b>13.53</b>	14.13

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

**Condensed statement of comprehensive income (unaudited)  
for the three months period ended 31 March 2019**

	<b>Three months period ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>AED</b>	<b>AED</b>
Profit for the period	<b>13,531,993</b>	14,134,953
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net unrealised gain/(loss) from investments at fair value through other comprehensive income	<b>392,599</b>	(1,142,107)
<b>Total comprehensive income for the period</b>	<b>13,924,592</b>	12,992,846

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

Condensed statement of changes in equity  
for the three months period ended 31 March 2019

	Issued and paid up share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Cumulative change in fair value of securities AED	Retained earnings AED	Total AED
Balance at 31 December 2017 (Audited)	100,000,000	75,283,253	65,694,053	200,000,000	(2,162,061)	42,815,483	481,630,728
Profit for the period	-	-	-	-	-	14,134,953	14,134,953
Other comprehensive loss for the period	-	-	-	-	(1,142,107)	-	(1,142,107)
Total comprehensive income for the period	-	-	-	-	(1,142,107)	14,134,953	12,992,846
Balance at 31 March 2018 (Unaudited)	100,000,000	75,283,253	65,694,053	200,000,000	(3,304,168)	56,950,436	494,623,574
Balance at 31 December 2018 (Audited)	100,000,000	80,410,216	70,821,016	210,000,000	(6,266,513)	42,390,560	497,355,279
Profit for the period	-	-	-	-	-	13,531,993	13,531,993
Other comprehensive income for the period	-	-	-	-	392,599	-	392,599
Total comprehensive income for the period	-	-	-	-	392,599	13,531,993	13,924,592
<b>Balance at 31 March 2019 (Unaudited)</b>	<b>100,000,000</b>	<b>80,410,216</b>	<b>70,821,016</b>	<b>210,000,000</b>	<b>(5,873,914)</b>	<b>55,922,553</b>	<b>511,279,871</b>

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

**Condensed statement of cash flows (unaudited)  
for the three months period ended 31 March 2019**

	<b>Three months period ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>AED</b>	<b>AED</b>
<b>Cash flows from operating activities</b>		
Profit for the period	13,531,993	14,134,953
Adjustments for:		
Depreciation of property and equipment	250,117	154,329
Interest income from investments at amortised cost	(2,774,427)	(3,103,574)
Amortisation of fees, premiums and discounts on investments	16,411	-
Interest income from deposits	(6,327,139)	(6,319,315)
Interest income from loans guaranteed by life insurance policies	(851,775)	(816,090)
Income from investment properties	(3,661,703)	(3,773,133)
Provision for employees' end of service indemnity	449,397	110,498
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<b>Operating cash flows before changes in operating assets and liabilities</b>	632,874	387,668
Increase in insurance, other receivables and prepayments	(15,236,406)	(25,435,506)
Increase in reinsurance share of technical provisions	(10,517,894)	(6,763,939)
Increase in mathematical reserve	6,853,581	3,216,863
Increase in technical provisions	15,516,370	13,104,505
Increase in accounts payable, insurance liabilities and premium collected in advance	20,571,778	8,806,680
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<b>Cash generated from/(used in) operations</b>	17,760,303	(6,683,729)
Employees end of service indemnity paid	(456,647)	(31,034)
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<b>Net cash generated from/(used in) operating activities</b>	17,303,656	(6,714,763)
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<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(18,698)	(191,927)
Net increase in loans guaranteed by life insurance policies	(925,903)	(2,261,537)
Purchases of financial investments at amortised cost	(65,355,223)	-
Sales/maturity of financial investments at amortised cost	31,543,650	-
Income received on deposits	2,764,429	951,918
Income received from investments at amortised cost	2,534,175	2,558,694
Deposits encashed during the period	36,834,350	5,356,620
Rental income received from investment property	9,437,223	9,551,564
	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>	16,814,003	15,965,332
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	34,117,659	9,250,569
<b>Cash and cash equivalents at the beginning of the period</b>	26,262,592	16,932,088
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<b>Cash and cash equivalents at the end of the period</b>	60,380,251	26,182,657
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The accompanying notes form an integral part of these condensed interim financial information



**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019**

**1. Segment information**

For management purposes, the Company is organised into two business segments, property and liability insurance (general insurance) and insurance of persons and fund accumulation operations (life assurance). The general insurance segment comprises motor, marine, fire, engineering, medical, and general accident. The life assurance segment includes only long term life and group life. These segments are the basis on which the Company reports its primary segment information. Segment-wise information is disclosed below:

**1.1 Supplementary condensed interim statement of financial position for persons and fund accumulation operations**

	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
<b>ASSETS</b>		
Property and equipment	3,263,228	3,414,016
Investment at amortised cost	153,965,594	123,358,105
Investment properties	119,269,000	119,269,000
Statutory deposits	2,000,000	2,000,000
Loans guaranteed by life insurance policies	47,725,105	45,947,427
Premiums and insurance balances receivable	180,560	114,662
Reinsurers' share of technical provisions	3,891,465	1,422,583
Other receivables and prepayments	9,116,967	4,060,344
Deposits	384,808,762	398,478,360
Cash and cash equivalents	20,432,007	5,864,857
Inter-division balance	133,430,916	142,595,947
<b>Total assets</b>	<b>878,083,604</b>	<b>846,525,301</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	50,000,000	50,000,000
Statutory reserve	38,166,241	38,166,241
Regular reserve	33,371,641	33,371,641
General reserve	102,113,261	102,113,261
Retained earnings	21,531,665	15,609,234
<b>Total equity</b>	<b>245,182,808</b>	<b>239,260,377</b>
<b>Liabilities</b>		
Provision for employees' end of service indemnity	2,429,353	2,622,067
Accounts payable	29,046,857	9,567,748
	<b>31,476,210</b>	<b>12,189,815</b>
<b>Insurance liabilities</b>		
Insurance contract liabilities	17,748,003	20,811,069
Premium collected in advance	8,123,231	9,074,725
	<b>25,871,234</b>	<b>29,885,794</b>

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**1. Segment information (continued)**

**1.2 Supplementary condensed interim statement of financial position for persons and fund accumulation operations (continued)**

	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
<b>Technical provisions</b>		
Unearned premium reserve	761,919	787,124
Deferred reinsurance commission reserve - net	(76,342)	(70,941)
Claims under settlement reserve	6,803,876	3,267,811
Incurred but not reported reserve	102,132	102,559
Unallocated loss adjustment expense reserve	17,365	11,941
Mathematical reserve	567,944,402	561,090,821
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<b>Total technical provisions</b>	<b>575,553,352</b>	<b>565,189,315</b>
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>632,900,796</b>	<b>607,264,924</b>
	<hr/>	<hr/>
<b>Total equity and liabilities</b>	<b>878,083,604</b>	<b>846,525,301</b>
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**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**1. Segment information (continued)**

**1.2 Supplementary condensed interim statement of profit or loss for insurance of persons and fund accumulation operations (unaudited)**

	<b>Three months period ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>AED</b>	<b>AED</b>
Gross premium	26,970,238	26,165,540
Reinsurance share of gross premiums	(910,751)	(1,022,088)
<b>Net premium</b>	<b>26,059,487</b>	<b>25,143,452</b>
Net transfer to unearned premium reserve	34,605	19,053
<b>Net premiums earned</b>	<b>26,094,092</b>	<b>25,162,505</b>
Commissions received	1,068,087	39,060
Commissions paid	(2,481,942)	(2,172,949)
Movement in deferred reinsurance commission reserves — net	5,401	(6,654)
<b>Gross underwriting income</b>	<b>24,685,638</b>	<b>23,021,962</b>
Gross claims paid	(790,637)	(774,488)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	302,884	327,799
<b>Net claims paid</b>	<b>(487,753)</b>	<b>(446,689)</b>
Movement of outstanding claims, incurred but not reported claims reserve, unexpired risk reserve and unallocated loss adjustment expense reserve	(1,081,575)	72,255
Earnings and cancellations of life insurance policies	(13,390,858)	(14,940,583)
Increase in mathematical reserves	(6,853,581)	(3,216,863)
<b>Net claims incurred</b>	<b>(21,813,767)</b>	<b>(18,531,880)</b>
<b>Net underwriting profit</b>	<b>2,871,871</b>	<b>4,490,082</b>
Income from financial investments	6,806,778	6,518,100
Income from investments property - net	2,312,411	2,375,186
Foreign currency exchange gain	50,568	99,559
Other income	64,552	53,859
<b>Total income</b>	<b>12,106,180</b>	<b>13,536,786</b>
General and administrative expenses	(2,483,337)	(2,307,326)
Bonuses and rebates (net of reinsurance)	(3,606,491)	(6,136,612)
Other operating expenses	(93,921)	(112,477)
<b>Profit for the period</b>	<b>5,922,431</b>	<b>4,980,371</b>

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**1. Segment information (continued)**

**1.3 Supplementary condensed interim statement of financial position for property and liability insurance**

	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
<b>ASSETS</b>		
Property and equipment	2,216,208	2,296,839
Investment at amortised cost	58,482,033	55,294,360
Investments carried at fair value through other comprehensive income	4,889,652	4,497,053
Investment properties	81,981,000	81,981,000
Statutory deposits	8,000,000	8,000,000
Premiums and insurance balances receivable	60,662,963	49,796,083
Reinsurers' share of technical provisions	134,522,563	126,473,551
Other receivables and prepayments	16,844,108	12,649,543
Deposits	246,394,457	265,996,499
Cash and cash equivalents	39,948,244	20,397,735
<b>Total assets</b>	<b>653,941,228</b>	<b>627,382,663</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	50,000,000	50,000,000
Statutory reserve	42,243,975	42,243,975
Regular reserve	37,449,375	37,449,375
General reserve	107,886,739	107,886,739
Cumulative loss in fair value of investments carried at fair value through comprehensive income	(5,873,914)	(6,266,513)
Retained earnings	34,390,888	26,781,326
<b>Total equity</b>	<b>266,097,063</b>	<b>258,094,902</b>
<b>Liabilities</b>		
Provision for employees' end of service indemnity	2,517,578	2,332,114
Accounts payable	50,932,279	38,935,077
Inter-division balance	133,430,916	142,595,947
	<b>186,880,773</b>	<b>183,863,138</b>
<b>Insurance liabilities</b>	<b>33,843,063</b>	<b>30,310,208</b>
Insurance contract liabilities		

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**1. Segment information (continued)**

**1.3 Supplementary condensed interim statement of financial position for property and liability insurance (continued)**

	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
<b>Technical provisions</b>		
Unearned premium reserve	91,645,346	74,910,003
Deferred reinsurance commission reserve - net	(919,936)	(8,813)
Claims under settlement reserve	69,671,624	72,793,832
Incurred but not reported reserve	5,765,675	6,264,543
Unallocated loss adjustment expense reserve	475,428	490,366
Unexpired risk reserve	482,192	664,484
<b>Total technical provisions</b>	<b>167,120,329</b>	<b>155,114,415</b>
<b>Total liabilities</b>	<b>387,844,165</b>	<b>369,287,761</b>
<b>Total equity and liabilities</b>	<b>653,941,228</b>	<b>627,382,663</b>

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**1. Segment information (continued)**

**1.4 Supplementary condensed interim statement of profit or loss for property and liability insurance (Unaudited)**

	<b>Three months period ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>AED</b>	<b>AED</b>
Gross premium	<b>58,520,952</b>	62,517,989
Reinsurance share of gross premiums	<b>(43,515,684)</b>	(46,089,900)
<b>Net premium</b>	<b>15,005,268</b>	16,428,089
Net transfer to unearned premium reserve	<b>(4,599,402)</b>	(5,261,246)
<b>Net premiums earned</b>	<b>10,405,866</b>	11,166,843
Commissions received	<b>2,793,332</b>	3,460,722
Commissions paid	<b>(1,387,529)</b>	(1,792,041)
Movement in deferred reinsurance commission reserves — net	<b>834,712</b>	395,543
<b>Gross underwriting income</b>	<b>12,646,381</b>	13,231,067
Gross claims paid	<b>(11,578,640)</b>	(9,341,150)
Reinsurance share of insurance claims and loss adjustment expenses recovered from reinsurers	<b>6,341,620</b>	5,424,382
<b>Net claims paid</b>	<b>(5,237,020)</b>	(3,916,768)
Movement of outstanding claims, incurred but not reported claims reserve, unexpired risk reserve and unallocated loss adjustment expense reserve	<b>(192,206)</b>	(1,559,517)
<b>Net claims incurred</b>	<b>(5,429,226)</b>	(5,476,285)
<b>Net underwriting profit</b>	<b>7,217,155</b>	7,754,782
Income from financial investments	<b>3,146,563</b>	3,753,146
Income from investments property - net	<b>1,349,292</b>	1,397,947
Foreign currency exchange gain	<b>46,694</b>	30,863
Other income	<b>630,359</b>	659,106
<b>Total income</b>	<b>12,390,063</b>	13,595,844
General and administrative expenses	<b>(4,060,866)</b>	(3,712,106)
Other operating expenses	<b>(719,635)</b>	(729,156)
<b>Profit for the period</b>	<b>7,609,562</b>	9,154,582

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**2. General information**

Alliance Insurance P.S.C. (the "Company") is a Public Shareholding Company which was originally established in Dubai on 1 July 1975 as a limited liability company under the name of Credit and Commerce Insurance Company. The Company was subsequently incorporated in Dubai on 6 January 1982 as a limited liability company under an Emiri Decree. The Company was converted to a Public Shareholding Company (P.S.C.) in January 1995, in accordance with the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended). The Company's shares are listed on the Dubai Financial Market.

The licensed activities of the Company are issuing short term and long term insurance contracts. The insurance contracts are issued in connection with property, motor, aviation and marine risks (collectively known as general insurance) and individual life (participating and nonparticipating), group life, personal accident, medical and investment linked products.

The registered address of the Company is Warba Centre, P.O. Box 5501, Dubai, United Arab Emirates.

**3. Summary of significant accounting policies**

**Basis of preparation**

This condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) No. 34 "Interim Financial Reporting".

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

This condensed interim financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies, presentation and methods in this condensed interim financial information are consistent with those used in the audited financial statements for the year ended 31 December 2018, except for adoption of IFRS 16 as stated in Note 3.

These condensed interim financial information 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 2018. In addition, results for the three month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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

**4.1 New and revised IFRSs applied with no material effect on the condensed interim financial information effective for annual periods beginning on or after 1 January 2019**

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*
- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**4. Application of new and revised International Financial Reporting Standards (“IFRSs”)  
(continued)**

**4.1 New and revised IFRSs applied with no material effect on the condensed interim financial  
information effective for annual periods beginning on or after 1 January 2019 (continued)**

The Company has adopted IFRS 16 ‘Leases’ the standard which replaces the existing guidance on leases, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases – Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions in the Legal Form of a Lease’ in the current reporting period.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Company’s financial position, unless the term of the lease is less than or equal to 12 month or the lease is for a low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and the balance is amortized over the lease term.

The Company assessed that the impact of IFRS 16 is not material on retained earnings as at the reporting date.

In applying IFRS 16 for the first time, the Company has used a practical expedient permitted by the standard regarding the accounting for operating leases with a remaining lease term of 12 months or fewer months as at 1 January 2019 as short term leases.

**4.2 New and revised IFRS standards and interpretations but not yet effective for annual  
periods beginning after 1 January 2020 and beyond**

- IFRS 17: *Insurance Contracts* relating to providing a more uniform measurement and presentation approach for all insurance contracts.
- 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.

**5. Changes in judgements and estimation uncertainty**

The critical judgements and estimates used in the preparation of the condensed interim financial information are consistent with those used in the preparation of the Company’s annual financial statements for the year ended 31 December 2018.



**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**6. Investments at amortised cost**

	<b>31 March 2019 (unaudited) AED</b>	31 December 2018 (audited) AED
Quoted bonds	<b>172,301,925</b>	148,630,471
Unquoted bonds	<b>40,145,702</b>	30,021,994
	<b>212,447,627</b>	178,652,465

The bonds carry interest at the rates ranging from 4.75% to 7.5% (2018: 4.75% to 7.5%) per annum and interest is receivable semi-annually. The Company holds these investments with the objective of receiving the contractual cash flows over the instrument's life.

**7. Investments carried at fair value through other comprehensive income**

	<b>31 March 2019 (unaudited) AED</b>	31 December 2018 (audited) AED
<i>Equity securities in the UAE market:</i>		
Quoted	<b>4,889,652</b>	4,497,053

**8. Investment properties**

Investment properties represent the fair value of two commercial buildings located in U.A.E. The fair value of the properties as at 31 December 2018 (audited) were arrived at on the basis of valuation carried out by independent external valuers who have appropriate market experience.

Management estimates that there has been no change in the fair value of investment properties. Investment properties are classified as Level 3 in the fair value hierarchy as at 31 March 2019 (31 December 2018: Level 3).

**9. Statutory deposit**

A deposit of AED 10,000,000 (31 December 2018: AED 10,000,000) has been placed with one of the Company's bankers, in accordance with Article 42 of U.A.E. Federal Law No. (6) of 2007 regarding Establishment of the Insurance Authority and Organization of its Operations. This deposit has been pledged to the bank as security against a guarantee issued by the Bank in favour of the Insurance Authority for the same amount. This deposit cannot be withdrawn without prior approval of the Insurance Authority and bears an interest rate of 3.5% per annum. (31 December 2018: 3.5% per annum).

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**10. Premium and insurance balances receivable**

	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
Due from policyholders	<b>51,224,365</b>	40,687,403
Less: Allowance for doubtful debts	<b>(2,230,213)</b>	(2,230,213)
	<b>48,994,152</b>	38,457,190
Due from insurance or reinsurance companies	<b>3,674,445</b>	3,664,005
Due from brokers or agents	<b>8,174,926</b>	7,789,550
	<b>60,843,523</b>	49,910,745
<b>Within U.A.E.</b>		
	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
Due from policyholders	<b>51,224,365</b>	40,687,403
Less: Allowance for doubtful debts	<b>(2,230,213)</b>	(2,230,213)
	<b>48,994,152</b>	38,457,190
Due from insurance or reinsurance companies	<b>1,980,042</b>	1,773,580
Due from brokers or agents	<b>8,174,926</b>	7,789,550
	<b>59,149,120</b>	48,020,320
<b>Outside U.A.E.</b>		
	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
Due from insurance or reinsurance companies	<b>1,694,403</b>	1,890,425

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**11. Technical provisions**

	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
<b>Gross</b>		
<b>Technical provisions:</b>		
Unearned premium reserve	92,407,265	75,697,127
Deferred reinsurance commission reserve – net	(996,278)	(79,754)
Claims under settlement reserve	76,475,500	76,061,643
Incurred but not reported reserve	5,867,807	6,367,102
Unallocated loss adjustment expense reserve	492,793	502,307
Unexpired risk reserve	482,192	664,484
Mathematical reserve	567,944,402	561,090,821
<b>Total technical provisions - gross</b>	<u>742,673,681</u>	<u>720,303,730</u>
<b>Recoverable from re-insurers</b>		
Unearned premium reserve	66,529,556	54,384,215
Claims under settlement reserve	67,683,380	69,199,041
Incurred but not reported reserve	3,727,556	3,656,889
Unexpired risk reserve	473,536	655,989
<b>Total re-insurers' share of technical provisions</b>	<u>138,414,028</u>	<u>127,896,134</u>
<b>Net</b>		
Unearned premium reserve	25,877,709	21,312,912
Deferred reinsurance commission reserve – net	(996,278)	(79,754)
Claims under settlement reserve	8,792,120	6,862,602
Incurred but not reported reserve	2,140,251	2,710,213
Unallocated loss adjustment expense reserve	492,793	502,307
Unexpired risk reserve	8,656	8,495
Mathematical reserve	567,944,402	561,090,821
	<u>604,259,653</u>	<u>592,407,596</u>

**12. Other receivables and prepayments**

	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
Receivable from employees	24,952	458,355
Refundable deposits	176,594	175,072
Prepayments	3,107,934	1,277,293
Others	23,688,136	15,835,708
Less: Allowance for doubtful debts	(1,036,541)	(1,036,541)
	<u>25,961,075</u>	<u>16,709,887</u>

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**13. Deposits**

	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
Short term deposits with banks in the UAE	212,660,789	200,745,139
Accrued interest	4,251,984	2,550,843
<b>Total short term deposits</b>	<b>216,912,773</b>	<b>203,295,982</b>
Long term deposits with banks in the UAE	397,050,000	445,800,000
Accrued interest	17,240,446	15,378,877
<b>Total long term deposits</b>	<b>414,290,446</b>	<b>461,178,877</b>
<b>Total deposits</b>	<b>631,203,219</b>	<b>664,474,859</b>

Deposits comprise fixed deposits with banks in U.A.E. bearing annual interest at rates ranging from 1.5% to 5.25% (31 December 2018: 1.00% to 5.25%).

**14. Cash and cash equivalents**

	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
Cash on hand	89,555	1,683,173
Current accounts with banks	60,290,696	24,579,419
	<b>60,380,251</b>	<b>26,262,592</b>

Bank balances are maintained with banks in U.A.E.

**15. Share capital**

	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
Issued and fully paid:		
1,000,000 ordinary shares of AED 100 each		
(31 December 2018:		
1,000,000 ordinary shares of AED 100 each)	<b>100,000,000</b>	<b>100,000,000</b>

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**16. Accounts payable**

	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
Payables inside UAE	7,806,821	7,078,506
Payables outside UAE	31,160,715	21,725,342
Other payables	41,011,600	19,698,977
	<u>79,979,136</u>	<u>48,502,825</u>
 <b>Within U.A.E.</b>		
	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
Insurance companies	2,646,236	2,288,552
Insurance brokers	5,160,585	4,789,954
Other payables	41,011,600	19,698,977
	<u>48,818,421</u>	<u>26,777,483</u>
 <b>Outside U.A.E.</b>		
	<b>31 March 2019 (unaudited) AED</b>	<b>31 December 2018 (audited) AED</b>
Insurance companies	166,607	119,024
Reinsurance companies	30,994,108	21,606,313
	<u>31,160,715</u>	<u>21,725,342</u>

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**16. Accounts payable (continued)**

**Other payables**

	<b>31 March 2019 (unaudited) AED</b>	31 December 2018 (audited) AED
Provision for staff benefits	3,452,741	4,275,442
Rent received in advance	11,370,470	887,642
Accruals and provision	884,416	731,100
Other payables	25,303,973	13,804,793
	<u>41,011,600</u>	<u>19,698,977</u>

**Insurance contract liabilities**

	<b>31 March 2019 (unaudited) AED</b>	31 December 2018 (audited) AED
Maturity payable	11,107,862	12,767,798
Bonus and surrenders payable	5,257,445	6,658,549
Claims payable	1,438,387	2,282,998
Other insurance payables	33,787,372	29,411,932
	<u>51,591,066</u>	<u>51,121,277</u>

**17. Basic and diluted earnings per share**

	<b>Three months period ended 31 March</b>	
	<b>2019 (unaudited)</b>	2018 (unaudited)
Profit for the period (in AED)	<u>13,531,993</u>	<u>14,134,953</u>
Number of shares	<u>100,000,000</u>	<u>100,000,000</u>
<b>Basic and diluted earnings per share (in AED)</b>	<u>13.53</u>	<u>14.13</u>

Basic and diluted earnings per share are calculated by dividing the profit for the period by the number of shares outstanding at the end of the reporting period. Diluted earnings per share is equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**18. Related party transactions**

Related parties, as defined in International Accounting Standard 24: Related Party Disclosures, include associate companies, major shareholders, directors and other key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

At the end of the reporting period, amounts due from/to related parties are as follows:

	<b>31 March 2019 (unaudited) AED</b>	31 December 2018 (audited) AED
Due from related parties	<b>1,462,258</b>	1,600,780
Due to related parties	<b>17,934</b>	-

**Transactions:**

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

	<b>Three months period ended 31 March 2019 (unaudited) AED</b>	2018 (unaudited) AED
Premium	<b>961,716</b>	1,539,341
Claims paid	<b>6,900</b>	43,641
Directors' and key management personnel remuneration including benefits	<b>524,518</b>	368,718

**19. Capital commitments and contingent liabilities**

	<b>31 March 2019 (unaudited) AED</b>	31 December 2018 (audited) AED
Letters of guarantee	<b>11,468,395</b>	11,468,395

The Company in common with the significant majority of insures, is subject to litigation in normal course of its business. The Company, based on independent legal advice, does not expect that the outcome of these court cases will have a material impact on the Company's financial performance or financial position.

**Notes to the condensed interim financial information  
for the three months period ended 31 March 2019 (continued)**

**20. Financial instruments**

The fair values of financial assets are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2018.

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).

The following table gives information about how the fair values of these financial assets are determined;

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED		
Quoted equity securities – FVTOCI	4,889,652	4,497,053	Level 1	Quoted bid prices in an active market.

There were no transfers between each of level during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

**21. Seasonality of results**

No income of seasonal nature was recorded in the condensed statement of profit or loss for the three months period ended 31 March 2019 and 2018.

**22. Dividend**

At the Annual General Meeting held on 8 April 2019, the Shareholders approved a cash dividend of AED 30 per share amounting to AED 30 million for 2018. The Shareholders also approved Directors' remuneration amounting to AED 1.4 million for 2018.

As these were approved by the Shareholders after the period ended 31 March 2019, they were not reflected as liabilities in these condensed interim financial information.

**23. Approval of the condensed interim financial information**

The condensed interim financial information were approved by the Board of Directors and authorised for issue on 12 May 2019.