

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

**Review report and condensed interim financial information
for the three months period ended 31 March 2020**

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 2020 and the related condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*" as issued by International Accounting Standards Board (IASB). 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 condensed 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*".

Deloitte & Touche (M.E.)



Signed by:
Samir Madbak
Registration No. 386
17 June 2020
Sharjah, United Arab Emirates

**Condensed statement of financial position
at 31 March 2020**


	Notes	31 March 2020 AED (unaudited)	31 December 2019 AED (audited)
ASSETS			
Property and equipment		4,971,138	5,091,410
Investment properties	6	205,786,000	205,786,000
Investments in securities	7	272,998,864	241,190,290
Loans guaranteed by life insurance policies		50,195,497	49,125,889
Reinsurers' share of technical provisions	8	137,979,167	133,963,373
Deferred acquisition costs		3,615,353	3,050,501
Premium and insurance balances receivable	9	66,878,880	59,674,956
Other receivables and prepayments	10	28,612,273	16,893,669
Statutory deposit	11	10,000,000	10,000,000
Deposits	12	551,874,547	567,540,653
Cash and cash equivalents	13	56,270,670	77,801,820
Total assets		1,389,182,389	1,370,118,561
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	100,000,000	100,000,000
Retained earnings		53,674,086	43,414,150
Statutory reserve		85,335,163	85,335,163
Regular reserve		75,745,963	75,745,963
General reserve		217,000,000	217,000,000
Cumulative change in fair value of FVOCI investments		(6,801,876)	(6,123,749)
Total equity		524,953,336	515,371,527
Liabilities			
Provision for employees' end of service indemnity		5,334,051	5,242,910
Accounts payable	15	65,703,944	60,353,103
		71,037,995	65,596,013
Insurance liabilities			
Insurance liabilities	16	64,285,062	63,661,777
Premium collected in advance		8,842,314	9,991,587
Deferred commission income		3,175,014	3,156,043
		76,302,390	76,809,407

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


**Condensed statement of financial position
at 31 March 2020 (continued)**

	Notes	31 March 2020 AED (unaudited)	31 December 2019 AED (audited)
Insurance contract liabilities –			
Technical provisions	8		
Unearned premium reserve		70,021,255	73,548,723
Claims under settlement reserve		81,967,129	76,169,686
Incurred but not reported reserve		13,191,248	11,803,221
Unallocated loss adjustment expense reserve		555,297	505,209
Unexpired risk reserve		548,395	84,467
Mathematical reserve		550,605,344	550,230,308
Total insurance contract liabilities		716,888,668	712,341,614
Total liabilities		864,229,053	854,747,034
Total equity and liabilities		1,389,182,389	1,370,118,561


To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim financial information presents fairly in all material respects the financial position, financial performance and cash flows of the Company.



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 this condensed interim financial information.

**Condensed statement of profit or loss (unaudited)
for the three months period ended 31 March 2020**

	Three months period ended 31 March	
	2020	2019
	AED	AED
Gross premiums	64,813,987	85,491,190
Reinsurers' share of gross premiums	(30,488,215)	(44,426,435)
Net premium	34,325,772	41,064,755
Net change in unearned premium / unexpired risk reserves	822,483	(4,564,958)
Net premium earned	35,148,255	36,499,797
Commissions received	2,737,992	3,861,419
Commissions paid	(3,465,651)	(3,869,471)
Movement in deferred acquisition costs/ commission income – net	545,881	916,535
Gross underwriting income	34,966,477	37,408,280
Gross claims paid	(11,964,684)	(12,369,277)
Reinsurers' share of insurance claims and loss adjustment expenses	5,901,746	6,644,504
Net claims paid	(6,062,938)	(5,724,773)
Movement in claims under settlement reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve	(978,707)	(1,350,042)
Earnings and cancellations of life insurance policies	(16,421,465)	(13,390,858)
Increase in mathematical reserves	(375,036)	(6,853,581)
Net claims incurred	(23,838,146)	(27,319,254)
Net underwriting income	11,128,331	10,089,026
Income from financial investments	10,318,707	9,953,341
Income from investments properties - net	3,441,315	3,661,703
Foreign currency exchange gain	37,041	97,262
Other income	632,553	694,911
Total income	25,557,947	24,496,243
General and administrative expenses	(6,983,618)	(6,544,203)
Provision for expected credit loss	(2,639,845)	-
Bonuses and rebates (net of reinsurance)	(5,148,692)	(3,606,491)
Other operating expenses	(525,856)	(813,556)
Profit for the period	10,259,936	13,531,993
Basic and diluted earnings per share (Note 17)	10.26	13.53

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

**Condensed statement of comprehensive income (unaudited)
for the three months period ended 31 March 2020**

	Three months period ended 31 March	
	2020	2019
	AED	AED
Profit for the period	10,259,936	13,531,993
Other comprehensive income / (loss)	<u> </u>	<u> </u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net unrealised (loss)/gain from investments at fair value through other comprehensive income (FVOCI)	(678,127)	392,599
Total comprehensive income for the period	9,581,809	13,924,592

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

**Condensed statement of changes in equity
for the three months period ended 31 March 2020**

	Share capital AED	Retained earnings AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Cumulative change in fair value of FVOCI investments AED	Total AED
Balance at 31 December 2018 (Audited)	100,000,000	42,390,560	80,410,216	70,821,016	210,000,000	(6,266,513)	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	-	13,531,993	-	-	-	392,599	13,924,592
Balance at 31 March 2019 (Unaudited)	100,000,000	55,922,553	80,410,216	70,821,016	210,000,000	(5,873,914)	511,279,871
Balance at 31 December 2019 (Audited)	100,000,000	43,414,150	85,335,163	75,745,963	217,000,000	(6,123,749)	515,371,527
Profit for the period	-	10,259,936	-	-	-	-	10,259,936
Other comprehensive loss for the period	-	-	-	-	-	(678,127)	(678,127)
Total comprehensive income/(loss) for the period	-	10,259,936	-	-	-	(678,127)	9,581,809
Balance at 31 March 2020 (Unaudited)	100,000,000	53,674,086	85,335,163	75,745,963	217,000,000	(6,801,876)	524,953,336

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

**Condensed statement of cash flows (unaudited)
for the three months period ended 31 March 2020**

	Three months period ended 31 March	
	2020	2019
	AED	AED
Cash flows from operating activities		
Profit for the period	10,259,936	13,531,993
Adjustments for:		
Depreciation of property and equipment	210,272	250,117
Interest income from investments at amortised cost	(3,695,340)	(2,774,427)
Amortisation of fees, premiums and discounts on investments	375,294	16,411
Interest income from deposits	(5,729,863)	(6,327,139)
Interest income from loans guaranteed by life insurance policies	(893,504)	(851,775)
Income from investment properties	(3,441,315)	(3,661,703)
Provision for employees' end of service indemnity	116,466	449,397
Provision for expected credit loss	2,639,845	-
	<hr/>	<hr/>
Operating cash flows before changes in operating assets and liabilities	(158,209)	632,874
Increase in insurance, other receivables and prepayments	(13,159,375)	(15,236,406)
Increase in reinsurers' share of technical provisions	(4,015,794)	(10,517,894)
Increase in mathematical reserve	375,036	6,853,581
Increase in technical provisions	4,172,018	16,432,894
(Decrease)/increase in accounts payable, insurance liabilities and premium collected in advance	(3,751,827)	20,511,778
Decrease in deferred acquisition cost reserves	(564,852)	(840,733)
Increase/(decrease) in deferred reinsurance commission reserve	18,971	(75,791)
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Cash generated (used in)/from operations	(17,084,032)	17,760,303
Employees end of service indemnity paid	(25,325)	(456,647)
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Net cash generated (used in)/from operating activities	(17,109,357)	17,303,656
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Cash flows from investing activities		
Purchase of property and equipment	(90,000)	(18,698)
Net increase in loans guaranteed by life insurance policies	(176,104)	(925,903)
Purchases of financial investments at amortised cost	(35,501,840)	(65,355,223)
Sales/maturity of financial investments at amortised cost	-	31,543,650
Income received on deposits	1,095,969	2,764,429
Income received from investments at amortised cost	1,569,919	2,534,175
Deposits encashed during the period	20,300,000	36,834,350
Rental income received from investment properties	8,380,263	9,437,223
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(4,421,793)	16,814,003
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(21,531,150)	34,117,659
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	77,801,820	26,262,592
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Cash and cash equivalents at the end of the period	56,270,670	60,380,251
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The accompanying notes form an integral part of this condensed interim financial information

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020**

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

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
ASSETS		
Property and equipment	2,941,290	3,024,440
Investment properties	123,338,174	123,338,174
Investments at amortised cost	204,799,641	171,617,613
Loans guaranteed by life insurance policies	50,195,497	49,125,889
Reinsurers' share of technical provisions	1,709,613	2,670,429
Deferred acquisition costs	124,616	76,826
Premium and insurance balances receivable	252,251	129,906
Other receivables and prepayments	13,441,397	6,644,486
Statutory deposits	2,000,000	2,000,000
Deposits	297,812,261	314,114,081
Cash and cash equivalents	30,802,288	49,333,795
Inter-division balance	134,768,760	132,284,229
Total assets	862,185,788	854,359,868
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	50,000,000	50,000,000
Retained earnings	25,574,145	20,834,613
Statutory reserve	40,679,006	40,679,006
Regular reserve	35,884,406	35,884,406
General reserve	104,794,961	104,794,961
Total equity	256,932,518	252,192,986
Liabilities		
Provision for employees' end of service indemnity	2,568,969	2,541,683
Accounts payable	20,083,722	10,781,085
	22,652,691	13,322,768
Insurance liabilities		
Insurance liabilities	18,782,382	23,609,499
Premium collected in advance	8,842,314	9,991,587
Deferred commission income	1,882	4,239
	27,626,578	33,605,325

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

1. Segment information (continued)

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

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Insurance contract liabilities – Technical provisions		
Unearned premium reserve	1,041,278	1,008,352
Claims under settlement reserve	2,581,830	3,211,513
Incurred but not reported reserve	726,841	761,922
Unallocated loss adjustment expense reserve	18,708	26,694
Mathematical reserve	550,605,344	550,230,308
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Total insurance contract liabilities	554,974,001	555,238,789
	<hr/>	<hr/>
Total liabilities	605,253,270	602,166,882
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Total equity and liabilities	862,185,788	854,359,868
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**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

1. Segment information (continued)

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

	Three months period ended 31 March	
	2020	2019
	AED	AED
Gross premium	26,530,232	26,970,238
Reinsurers' share of gross premiums	(899,379)	(910,751)
Net premium	25,630,853	26,059,487
Net change in unearned premium	(130,315)	34,605
Net premiums earned	25,500,538	26,094,092
Commissions received	27,158	1,068,087
Commissions paid	(2,320,539)	(2,481,942)
Movement in deferred acquisition costs/ commission income – net	50,147	5,401
Gross underwriting income	23,257,304	24,685,638
Gross claims paid	(904,449)	(790,637)
Reinsurers' share of insurance claims and loss adjustment expenses	358,194	302,884
Net claims paid	(546,255)	(487,753)
Movement in claims under settlement reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve	(190,675)	(1,081,575)
Earnings and cancellations of life insurance policies	(16,421,465)	(13,390,858)
Increase in mathematical reserves	(375,036)	(6,853,581)
Net claims incurred	(17,533,431)	(21,813,767)
Net underwriting profit	5,723,873	2,871,871
Income from financial investments	6,707,152	6,806,778
Income from investments properties - net	2,130,681	2,312,411
Foreign currency exchange gain	36,570	50,568
Other income	12,460	64,552
Total income	14,610,736	12,106,180
General and administrative expenses	(2,604,983)	(2,483,337)
Provision for expected credit loss	(2,014,668)	-
Bonuses and rebates (net of reinsurance)	(5,148,692)	(3,606,491)
Other operating expenses	(102,861)	(93,921)
Profit for the period	4,739,532	5,922,431

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

1. Segment information (continued)

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

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
ASSETS		
Property and equipment	2,029,848	2,066,970
Investment properties	82,447,826	82,447,826
Investments at amortised cost	64,237,533	64,932,860
Investments at FVOCI	3,961,690	4,639,817
Reinsurers' share of technical provisions	136,269,554	131,292,944
Deferred acquisition costs	3,490,737	2,973,675
Premium and insurance balances receivable	66,626,629	59,545,050
Other receivables and prepayments	15,170,876	10,249,183
Statutory deposits	8,000,000	8,000,000
Deposits	254,062,286	253,426,572
Cash and cash equivalents	25,468,382	28,468,025
Total assets	661,765,361	648,042,922
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	50,000,000	50,000,000
Retained earnings	28,099,941	22,579,537
Statutory reserve	44,656,157	44,656,157
Regular reserve	39,861,557	39,861,557
General reserve	112,205,039	112,205,039
Cumulative change in fair value of FVOCI investments	(6,801,876)	(6,123,749)
Total equity	268,020,818	263,178,541
Liabilities		
Provision for employees' end of service indemnity	2,765,082	2,701,227
Accounts payable	45,620,222	49,572,018
Inter-division balance	134,768,760	132,284,229
	183,154,064	184,557,474
Insurance liabilities		
Insurance liabilities	45,502,680	40,052,278
Deferred commission income	3,173,132	3,151,804
	48,675,812	43,204,082

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

1. Segment information (continued)

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

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Insurance contract liabilities – Technical provisions		
Unearned premium reserve	68,979,977	72,540,371
Claims under settlement reserve	79,385,299	72,958,173
Incurred but not reported reserve	12,464,407	11,041,299
Unallocated loss adjustment expense reserve	536,589	478,515
Unexpired risk reserve	548,395	84,467
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Total insurance contract liabilities	161,914,667	157,102,825
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Total liabilities	393,744,543	384,864,381
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Total equity and liabilities	661,765,361	648,042,922
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**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

1. Segment information (continued)

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

	Three months period ended 31 March	
	2020	2019
	AED	AED
Gross premium	38,283,755	58,520,952
Reinsurers' share of gross premiums	(29,588,836)	(43,515,684)
Net premium	8,694,919	15,005,268
Net change in unearned premium/unexpired risk reserves	952,798	(4,599,563)
Net premiums earned	9,647,717	10,405,705
Commissions received	2,710,834	2,793,332
Commissions paid	(1,145,112)	(1,387,529)
Movement in deferred acquisition costs/ commission income – net	495,734	911,134
Gross underwriting income	11,709,173	12,722,642
Gross claims paid	(11,060,235)	(11,578,640)
Reinsurers' share of insurance claims and loss adjustment expenses	5,543,552	6,341,620
Net claims paid	(5,516,683)	(5,237,020)
Movement in claims under settlement reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve	(788,032)	(268,467)
Net claims incurred	(6,304,715)	(5,505,487)
Net underwriting profit	5,404,458	7,217,155
Income from financial investments	3,611,555	3,146,563
Income from investments properties - net	1,310,634	1,349,292
Foreign currency exchange gain	471	46,694
Other income	620,093	630,359
Total income	10,947,211	12,390,063
General and administrative expenses	(4,378,635)	(4,060,866)
Provision for expected credit loss	(625,177)	-
Other operating expenses	(422,995)	(719,635)
Profit for the period	5,520,404	7,609,562

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (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.

Coronavirus (COVID-19) outbreak and its impact on the Company

With the recent and rapid development of the coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations including the United Arab Emirates (UAE).

Management has considered the unique circumstances and the risk exposures of the Company that could have a material impact on the business operations and has concluded that the main impacts on the Company's profitability/liquidity position may arise from:

- recoverability of premium and insurance balances receivable,
- unavailability of personnel,
- reduction in gross premium due to non-renewal of policies, and
- decrease in the market value of investments held by the Company.

Based on the above consideration, management has concluded that there is no significant impact on the Company's profitability position as at reporting date.

The Company has performed stress testing as required by the Insurance Authority of UAE on a monthly basis approved by the Board of Directors, who are satisfied that the Company will continue to operate as a going concern. Accordingly, this condensed interim financial information have been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.

3. Application of new and revised International Financial Reporting Standards (IFRS)**3.1 New and revised IFRS applied with no material effect on the condensed interim financial information**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in this condensed interim financial information. 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.

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

3. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

3.1 New and revised IFRS applied with no material effect on the condensed interim financial information (continued)

- Amendments to IAS 1 *Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to IFRS 3 *Business Combinations*
- Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework
- Amendments in IFRS 7, 9 and IAS 39 regarding pre-replacement issues in the context of the IBOR reform

3.2 New and revised IFRS standards and interpretations 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:

- IFRS 17: *Insurance Contracts*. *Effective for annual period beginning on or after 1 January 2023*
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. *Effective date deferred indefinitely. Adoption is permitted.*
- IAS 1: *Presentation of Financial Statements – Amendments on Classifications*. *Effective for annual period beginning on or after 1 January 2022*

4. Summary of significant accounting policies

4.1 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 and investment properties. The Company presents its condensed statement of financial position broadly in the order of liquidity.

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 2019.

This 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 2019. In addition, results for the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)****4. Summary of significant accounting policies (continued)****4.1 Basis of preparation (continued)***4.1.1 Judgements and estimates*

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

In preparing this condensed interim financial information, 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 2019.

5. Changes in judgements and estimation uncertainty

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2019, with the exception of the impact of the novel coronavirus (COVID-19) outbreak on the Company which is detailed below.

The existence of novel coronavirus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure, and until now, only subjective assessment of the impact can be used.

Recoverability of premium and insurance balances receivable

The COVID-19 outbreak led to a significant increase in the credit risk of companies within the economy as a result of operational disruption.

Based on management's assessment, the Company has not identified a material impact to the recoverability of premium and insurance balances receivable for the period ended 31 March 2020.

Fair value measurement of financial instruments

COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets. The Company is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

Based on management's assessment, the Company has not identified a material impact to the fair values of financial assets and liabilities for the period ended 31 March 2020 other than the change which is already reflected in the condensed interim financial information.

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

5. Changes in judgements and estimation uncertainty (continued)

Fair value measurement of investment properties

Based on management's assessment, there is limited information available on the 2020 outlook for the real estate market and how the situation will progress in light of COVID-19. The Company has not identified any significant impact to the fair values of investment properties for the period ended 31 March 2020. The Company will consistently monitor the market and ensure that the prices used by the Company are an accurate representation of fair values.

Outstanding claims

The Company has performed an assessment of the impact of COVID-19 on its contractual arrangements and provisions for outstanding claims which included regular sensitivity analyses. The Company determined that there is no material impact on its risk position and provision balances for outstanding claims for the period ended 31 March 2020. The Company will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

6. Investment properties

Investment properties comprises two commercial buildings in Dubai, UAE.

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 2020 (31 December 2019: Level 3).

7. Investment in securities

Investment in securities comprises of the following:

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Investments at amortised cost (note 7a)	269,037,174	236,550,473
Investments at FVOCI (note 7b)	3,961,690	4,639,817
	<u>272,998,864</u>	<u>241,190,290</u>

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

7. Investment in securities (continued)

7a. Investments at amortised cost

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Quoted bonds	272,245,673	237,119,127
Provision for expected credit loss	(3,208,499)	(568,654)
	<u>269,037,174</u>	<u>236,550,473</u>
	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Inside UAE	134,592,618	136,924,572
Outside UAE	134,444,556	99,625,901
	<u>269,037,174</u>	<u>236,550,473</u>

The bonds carry interest at the rates ranging from 4.75% to 7.5% (2019: 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.

The following table shows the movement in provision for expected credit losses.

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Balance at the beginning of the period / year	568,654	-
Provision made during the period / year	2,639,845	568,654
	<u>3,208,499</u>	<u>568,654</u>

7b. Investments at FVOCI

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Quoted equity securities in the UAE:	3,961,690	4,639,817

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

8. Insurance contract liabilities - Technical provisions

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Gross		
Insurance contract liabilities - Technical provisions:		
Unearned premium reserve	70,021,255	73,548,723
Claims under settlement reserve	81,967,129	76,169,686
Incurred but not reported reserve	13,191,248	11,803,221
Unallocated loss adjustment expense reserve	555,297	505,209
Unexpired risk reserve	548,395	84,467
Mathematical reserve	550,605,344	550,230,308
Total technical provisions – gross	716,888,668	712,341,614
Reinsurers' share of technical provisions:		
Unearned premium reserve	52,298,051	54,549,752
Claims under settlement reserve	76,028,067	70,753,251
Incurred but not reported reserve	9,563,686	8,581,651
Unexpired risk reserve	89,363	78,719
Total reinsurers' share of technical provisions	137,979,167	133,963,373
Net		
Unearned premium reserve	17,723,204	18,998,971
Claims under settlement reserve	5,939,062	5,416,435
Incurred but not reported reserve	3,627,562	3,221,570
Unallocated loss adjustment expense reserve	555,297	505,209
Unexpired risk reserve	459,032	5,748
Mathematical reserve	550,605,344	550,230,308
	578,909,501	578,378,241

9. Premium and insurance balances receivable

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from policyholders	53,618,221	50,681,891
Due from insurance or reinsurance companies	2,925,315	2,594,759
Due from brokers or agents	12,651,841	8,714,803
Less: Provision for expected credit losses	(2,316,497)	(2,316,497)
	66,878,880	59,674,956

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

9. Premium and insurance balances receivable (continued)

Within U.A.E.

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from policyholders	53,618,221	50,681,891
Due from insurance or reinsurance companies	1,411,458	1,446,738
Due from brokers or agents	12,651,841	8,714,803
Less: Provision for expected credit losses	(2,316,497)	(2,316,497)
	<u>65,365,023</u>	<u>58,526,935</u>

Outside U.A.E.

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from insurance or reinsurance companies	1,513,857	1,148,021
	<u>1,513,857</u>	<u>1,148,021</u>

10. Other receivables and prepayments

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Receivable from employees	347,127	418,510
Refundable deposits	181,124	178,562
Prepayments	3,935,436	1,832,915
Others	25,267,667	15,582,763
Less: Provision for impairment	(1,119,081)	(1,119,081)
	<u>28,612,273</u>	<u>16,893,669</u>

11. Statutory deposit

A deposit of AED 10,000,000 (31 December 2019: 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 2019: 3% per annum).

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

12. Deposits

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Short term deposits with banks in the UAE	343,458,500	363,758,501
Accrued interest	7,211,315	4,692,286
Subtotal A (current portion)	350,669,815	368,450,787
Long term deposits with banks in the UAE	190,850,000	190,850,000
Accrued interest	10,820,648	8,705,782
Subtotal B (non-current portion)	201,670,648	199,555,782
Provision for expected credit loss (C)	(465,916)	(465,916)
Grand total (A+B+C)	551,874,547	567,540,653

Deposits comprise fixed deposits with banks bearing annual interest at rates ranging from 0.5% to 5.25% (31 December 2019: 3.25% to 5.25%)

13. Cash and cash equivalents

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Cash on hand	89,546	900,196
Current accounts with banks	56,234,724	76,955,224
Provision for expected credit losses	(53,600)	(53,600)
	56,270,670	77,801,820

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

14. Share capital

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Issued and fully paid: (31 March 2020 and 31 December 2019: 1,000,000 ordinary shares of AED 100 each)	100,000,000	100,000,000

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

15. Accounts payable

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Payables inside UAE	8,413,075	8,475,185
Payables outside UAE	28,857,554	33,462,495
Other payables (note 15.1)	28,433,315	18,415,423
	<u>65,703,944</u>	<u>60,353,103</u>
	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Within U.A.E.		
Insurance companies	3,113,320	2,874,542
Insurance brokers	5,299,755	5,600,643
Other payables	28,433,315	18,415,423
	<u>36,846,390</u>	<u>26,890,608</u>
	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Outside U.A.E.		
Insurance companies	328,875	219,680
Reinsurance companies	28,528,679	33,242,815
	<u>28,857,554</u>	<u>33,462,495</u>
	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
15.1 Other payables		
Provision for staff benefits	4,715,149	4,541,788
Rent received in advance	9,409,831	833,151
Accruals and provision	758,878	663,288
Other payables	13,549,457	12,377,196
	<u>28,433,315</u>	<u>18,415,423</u>

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

16. Insurance contract liabilities

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Maturity payable	12,824,252	15,501,098
Bonus and surrenders payable	5,374,977	7,337,720
Claims payable	1,127,520	1,248,999
Other insurance payables	44,958,313	39,573,960
	<u>64,285,062</u>	<u>63,661,777</u>

17. Basic and diluted earnings per share

	Three months period ended 31 March	
	2020 (unaudited)	2019 (unaudited)
Profit for the period (in AED)	10,259,936	13,531,993
Number of shares	100,000,000	100,000,000
Basic and diluted earnings per share (in AED)	<u>10.26</u>	<u>13.53</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.

18. Related party transactions

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

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

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from related parties	1,442,177	1,140,071

**Notes to the condensed interim financial information
for the three months period ended 31 March 2020 (continued)**

18. Related party transactions (continued)

Transactions:

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

	Three months period ended 31 March	
	2020 (unaudited) AED	2019 (unaudited) AED
Premium	1,468,060	961,716
Claims paid	354,279	6,900
Directors' and key management personnel remuneration including benefits	475,852	524,518

Transactions are entered with related parties at rates agreed with management.

19. Contingent liabilities

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Letters of guarantee	11,067,609	11,073,025

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.

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 2019.

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 interim financial information
for the three months period ended 31 March 2020 (continued)**

20. Financial instruments (continued)

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
	30 March 2020 (unaudited) AED	31 December 2019 (audited) AED		
Quoted equity securities – FVOCI	3,961,690	4,639,817	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 2020 and 2019.

22. Dividend

At the Annual General Meeting held on 15 April 2020, the Shareholders approved a cash dividend of AED 30 per share amounting to AED 30 million for 2019 (2019: AED 30 million for 2018).

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 17 June 2020.