

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

**Review report and condensed interim financial information
for the six months period ended 30 June 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 30 June 2019 and the related condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the six 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 six months ended 30 June 2018 and the annual financial statements for the year ended 31 December 2018 were reviewed and audited by other auditors, whose review report dated 6 August 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
4 August 2019
Sharjah, United Arab Emirates

**Condensed statement of financial position
at 30 June 2019**

	Notes	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
ASSETS			
Property and equipment		5,528,499	5,710,855
Investment at amortised cost	6	214,061,228	178,652,465
Investments carried at fair value through other comprehensive income	7	4,497,053	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		47,897,604	45,947,427
Premiums and insurance balances receivable	10	59,129,952	49,910,745
Reinsurers' share of technical provisions	11	136,624,426	127,896,134
Other receivables and prepayments	12	23,390,393	16,709,887
Deposits	13	631,445,100	664,474,859
Cash and cash equivalents	14	34,995,435	26,262,592
Total assets		1,368,819,690	1,331,312,017
EQUITY AND LIABILITIES			
Capital and reserves			
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		217,000,000	210,000,000
Cumulative change in fair value of securities		(6,266,513)	(6,266,513)
Retained earnings		30,213,861	42,390,560
Total equity		492,178,580	497,355,279
Liabilities			
Provision for end of service indemnity		5,066,021	4,954,181
Accounts payable	16	64,849,051	48,502,825
		69,915,072	53,457,006
Insurance liabilities			
Insurance contract liabilities	16	55,466,119	51,121,277
Premium collected in advance		8,514,040	9,074,725
		63,980,159	60,196,002
Technical provisions			
Unearned premium reserve	11	88,994,637	75,697,127
Deferred reinsurance commission reserve - net		15,815	(79,754)
Claims under settlement reserve		77,678,591	76,061,643
Incurred but not reported reserve		6,034,674	6,367,102
Unallocated loss adjustment expense reserve		475,394	502,307
Unexpired risk reserve		454,836	664,484
Mathematical reserve		569,091,932	561,090,821
Total technical provisions		742,745,879	720,303,730
Total liabilities		876,641,110	833,956,738
Total equity and liabilities		1,368,819,690	1,331,312,017


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 six months period ended 30 June 2019**

	Three months period ended		Six months period ended	
	2019	30 June 2018	2019	30 June 2018
	AED	AED	AED	AED
Gross premiums	60,589,674	68,907,501	146,080,864	157,591,030
Reinsurance share of gross premiums	(26,442,222)	(34,503,411)	(70,868,657)	(81,615,399)
Net premium	34,147,452	34,404,090	75,212,207	75,975,631
Net change in unearned premium reserve	8,792	695,331	(4,556,005)	(4,546,862)
Net premium earned	34,156,244	35,099,421	70,656,202	71,428,769
Commissions received	2,965,360	4,432,190	6,826,779	7,931,972
Commissions paid	(4,126,471)	(3,615,979)	(7,995,942)	(7,580,969)
Movement in deferred reinsurance commission reserves - net	(358,804)	(548,032)	481,309	(159,143)
Gross underwriting income	32,636,329	35,367,600	69,968,348	71,620,629
Gross claims paid	(19,776,463)	(15,453,830)	(32,145,740)	(25,569,468)
Reinsurance share of insurance claims and loss adjustment expenses	12,399,044	10,053,066	19,043,548	15,805,247
Net claims paid	(7,377,419)	(5,400,764)	(13,102,192)	(9,764,221)
Movement in outstanding claims, incurred but not reported claims reserve, unexpired risk reserve and unallocated loss adjustment expense reserve	1,826,196	1,370,496	552,415	(116,766)
Earnings and cancellations of life insurance policies	(16,340,076)	(23,201,009)	(29,730,934)	(38,141,592)
(Increase)/decrease in mathematical reserves	(1,147,530)	6,287,840	(8,001,111)	3,070,977
Net claims incurred	(23,038,829)	(20,943,437)	(50,281,822)	(44,951,602)
Net underwriting income	9,597,500	14,424,163	19,686,526	26,669,027
Income from financial investments	10,690,301	10,725,169	20,643,642	20,996,415
Income from investment properties - net	3,488,180	3,519,746	7,149,883	7,292,879
Foreign currency exchange gain	96,120	78,422	193,382	208,844
Other income	408,290	695,821	1,103,201	1,408,786
Total income	24,280,391	29,443,321	48,776,634	56,575,951
General and administrative expenses	(6,811,122)	(6,005,266)	(13,355,325)	(12,024,698)
Bonuses and rebates (net of reinsurance)	(5,159,709)	(10,414,506)	(8,766,200)	(16,551,118)
Other operating expenses	(1,018,252)	(707,590)	(1,831,808)	(1,549,223)
Profit for the period	11,291,308	12,315,959	24,823,301	26,450,912
Basic and diluted earnings per share (Note 17)	11.29	12.32	24.82	26.45

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

**Condensed statement of comprehensive income (unaudited)
for the six months period ended 30 June 2019**

	Three months period ended		Six months period ended	
	2019	30 June	2019	30 June
	AED	AED	AED	AED
Profit for the period	11,291,308	12,315,959	24,823,301	26,450,912
Other comprehensive loss				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net unrealised loss from investments carried at fair value through other comprehensive income	(392,599)	(678,128)	-	(1,820,235)
Total comprehensive income for the period	10,898,709	11,637,831	24,823,301	24,630,677

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

**Condensed statement of changes in equity
for the six months period ended 30 June 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
Total comprehensive income/(loss) for the period	-	-	-	-	(1,820,235)	26,450,912	24,630,677
Dividends paid (Note 22)	-	-	-	-	-	(30,000,000)	(30,000,000)
Transfer to general reserve	-	-	-	10,000,000	-	(10,000,000)	-
Balance at 30 June 2018 (Unaudited)	100,000,000	75,283,253	65,694,053	210,000,000	(3,982,296)	29,266,395	476,261,405
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
Total comprehensive income for the period	-	-	-	-	-	24,823,301	24,823,301
Dividends paid (Note 22)	-	-	-	-	-	(30,000,000)	(30,000,000)
Transfer to general reserve	-	-	-	7,000,000	-	(7,000,000)	-
Balance at 30 June 2019 (Unaudited)	100,000,000	80,410,216	70,821,016	217,000,000	(6,266,513)	30,213,861	492,178,580

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

**Condensed statement of cash flows (unaudited)
for the six months period ended 30 June 2019**

	Six months period ended 30 June	
	2019	2018
	AED	AED
Cash flows from operating activities		
Profit for the period	24,823,301	26,450,912
Adjustments for:		
Depreciation of property and equipment	517,955	309,597
Interest income from investments at amortised cost	(6,314,052)	(6,231,973)
Amortisation of fees, premiums and discounts on investments	55,319	-
Interest income from deposits	(12,602,582)	(12,557,736)
Interest income from loans guaranteed by life insurance policies	(1,727,008)	(1,693,180)
Dividend income	-	(428,290)
Income from investment properties	(7,149,883)	(7,292,879)
Provision for employees' end of service indemnity	568,487	197,220
Allowance for doubtful debts	-	2,423
	<hr/>	<hr/>
Operating cash flows before changes in operating assets and liabilities	(1,828,463)	(1,243,906)
Increase in insurance, other receivables and prepayments	(10,547,432)	(13,622,567)
Increase in reinsurance share of technical provisions	(8,728,292)	(10,706,770)
Increase/(decrease) in mathematical reserve	8,001,111	(3,070,977)
Increase in technical reserve	14,441,038	15,529,539
Increase in accounts payable, insurance liabilities and premium collected in advance	12,625,762	2,274,222
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Cash generated from/(used in) operations	13,963,724	(10,840,459)
Employees end of service indemnity paid	(456,647)	(410,083)
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Net cash generated from/(used in) operating activities	13,507,077	(11,250,542)
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Cash flows from investing activities		
Purchase of property and equipment	(335,599)	(222,441)
Net increase in loans guaranteed by life insurance policies	(223,169)	(2,551,244)
Purchases of financial investments at amortised cost	(96,367,732)	(1,840,569)
Sales/maturity of financial investments at amortised cost	60,903,650	-
Income received on deposits	7,460,341	7,429,155
Income received from investments at amortised cost	5,124,285	6,349,465
Deposits encashed during the period	38,172,000	27,645,000
Dividend income received	-	428,290
Rental income received from investment properties	10,491,990	11,006,085
	<hr/>	<hr/>
Net cash generated from investing activities	25,225,766	48,243,741
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Cash flow from financing activities		
Dividend paid	(30,000,000)	(30,000,000)
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Net cash used in financing activities	(30,000,000)	(30,000,000)
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Net increase in cash and cash equivalents	8,732,843	6,993,199
Cash and cash equivalents at the beginning of the period	26,262,592	16,932,088
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Cash and cash equivalents at the end of the period	34,995,435	23,925,287
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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 six months period ended 30 June 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

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
ASSETS		
Property and equipment	3,305,770	3,414,016
Investment at amortised cost	154,725,887	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	47,897,604	45,947,427
Premiums and insurance balances receivable	359,683	114,662
Reinsurers' share of technical provisions	3,822,660	1,422,583
Other receivables and prepayments	9,936,357	4,060,344
Deposits	385,572,284	398,478,360
Cash and cash equivalents	7,629,136	5,864,857
Inter-division balance	126,435,418	142,595,947
Total assets	860,953,799	846,525,301
SHAREHOLDERS' EQUITY AND LIABILITIES		
Capital and reserves		
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	104,794,961	102,113,261
Retained earnings	13,847,842	15,609,234
Total equity	240,180,685	239,260,377
Liabilities		
Provision for employees' end of service indemnity	2,488,438	2,622,067
Accounts payable	15,743,653	9,567,748
	18,232,091	12,189,815
Insurance liabilities		
Insurance contract liabilities	17,427,418	20,811,069
Premium collected in advance	8,514,040	9,074,725
	25,941,458	29,885,794

**Notes to the condensed interim financial information
for the six months period ended 30 June 2019 (continued)**

1. Segment information (continued)

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

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Technical provisions		
Unearned premium reserve	1,014,084	787,124
Deferred reinsurance commission reserve - net	(100,090)	(70,941)
Claims under settlement reserve	6,363,618	3,267,811
Incurred but not reported reserve	213,785	102,559
Unallocated loss adjustment expense reserve	16,236	11,941
Mathematical reserve	569,091,932	561,090,821
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Total technical provisions	576,599,565	565,189,315
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Total liabilities	620,773,114	607,264,924
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Total equity and liabilities	860,953,799	846,525,301
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**Notes to the condensed interim financial information
for the six months period ended 30 June 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)

	Three months period ended		Six months period ended	
	2019	30 June	2019	30 June
	AED	AED	AED	AED
Gross premiums	24,122,268	25,167,155	51,092,506	51,332,695
Reinsurance share of gross premiums	(755,056)	(874,419)	(1,665,807)	(1,896,507)
Net premium	23,367,212	24,292,736	49,426,699	49,436,188
Net change in unearned premium reserve	(144,070)	(126,236)	(109,465)	(107,183)
Net premium earned	23,223,142	24,166,500	49,317,234	49,329,005
Commissions received	26,531	999,365	1,094,618	1,038,425
Commissions paid	(2,258,761)	(2,172,833)	(4,740,703)	(4,345,782)
Movement in deferred reinsurance commission reserves — net	100,090	(5,319)	105,491	(11,973)
Gross underwriting income	21,091,002	22,987,713	45,776,640	46,009,675
Gross claims paid	(344,850)	(819,255)	(1,135,487)	(1,593,743)
Reinsurance share of insurance claims and loss adjustment expenses	(22,846)	308,008	280,038	635,807
Net claims paid	(367,696)	(511,247)	(855,449)	(957,936)
Movement in outstanding claims, incurred but not reported claims reserve, unexpired risk reserve and unallocated loss adjustment expense reserve	2,266,952	467,794	1,185,377	540,049
Earnings and cancellations of life insurance policies	(16,340,076)	(23,201,009)	(29,730,934)	(38,141,592)
Decrease/(increase) in mathematical reserves	(1,147,530)	6,287,840	(8,001,111)	3,070,977
Net claims incurred	(15,588,350)	(16,956,622)	(37,402,117)	(35,488,502)
Net underwriting income	5,502,652	6,031,091	8,374,523	10,521,173
Income from financial investments	6,711,388	7,031,807	13,518,166	13,549,907
Income from investments properties - net	2,225,351	2,269,965	4,537,762	4,645,151
Foreign currency exchange gain	57,644	90,853	108,212	190,412
Other income	22,367	46,339	86,919	100,198
Total income	14,519,402	15,470,055	26,625,582	29,006,841
General and administrative expenses	(2,777,150)	(2,290,354)	(5,260,487)	(4,597,680)
Bonuses and rebates (net of reinsurance)	(5,159,709)	(10,414,506)	(8,766,200)	(16,551,118)
Other operating expenses	(91,666)	(88,508)	(185,587)	(200,985)
Profit for the period	6,490,877	2,676,687	12,413,308	7,657,058

**Notes to the condensed interim financial information
for the six months period ended 30 June 2019 (continued)**

1. Segment information (continued)

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

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
ASSETS		
Property and equipment	2,222,729	2,296,839
Investment at amortised cost	59,335,341	55,294,360
Investments carried at fair value through other comprehensive income	4,497,053	4,497,053
Investment properties	81,981,000	81,981,000
Statutory deposits	8,000,000	8,000,000
Premiums and insurance balances receivable	58,770,269	49,796,083
Reinsurers' share of technical provisions	132,801,766	126,473,551
Other receivables and prepayments	13,454,036	12,649,543
Deposits	245,872,816	265,996,499
Cash and cash equivalents	27,366,299	20,397,735
Total assets	634,301,309	627,382,663
SHAREHOLDERS' EQUITY AND LIABILITIES		
Capital and reserves		
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	112,205,039	107,886,739
Cumulative loss in fair value of investments carried at fair value through comprehensive income	(6,266,513)	(6,266,513)
Retained earnings	16,366,019	26,781,326
Total equity	251,997,895	258,094,902
Liabilities		
Provision for employees' end of service indemnity	2,577,583	2,332,114
Accounts payable	49,105,398	38,935,077
Inter-division balance	126,435,418	142,595,947
	178,118,399	183,863,138
Insurance liabilities		
Insurance contract liabilities	38,038,701	30,310,208

**Notes to the condensed interim financial information
for the six months period ended 30 June 2019 (continued)**

1. Segment information (continued)

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

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Technical provisions		
Unearned premium reserve	87,980,553	74,910,003
Deferred reinsurance commission reserve - net	115,905	(8,813)
Claims under settlement reserve	71,314,973	72,793,832
Incurred but not reported reserve	5,820,889	6,264,543
Unallocated loss adjustment expense reserve	459,158	490,366
Unexpired risk reserve	454,836	664,484
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Total technical provisions	166,146,314	155,114,415
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Total liabilities	382,303,414	369,287,761
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Total equity and liabilities	634,301,309	627,382,663
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**Notes to the condensed interim financial information
for the six months period ended 30 June 2019 (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		Six months period ended	
	30 June		30 June	
	2019	2018	2019	2018
	AED	AED	AED	AED
Gross premiums	36,467,406	43,740,346	94,988,358	106,258,335
Reinsurance share of gross premiums	(25,687,166)	(33,628,992)	(69,202,850)	(79,718,892)
Net premium	10,780,240	10,111,354	25,785,508	26,539,443
Net change in unearned premium reserve	152,862	821,567	(4,446,540)	(4,439,679)
Net premium earned	10,933,102	10,932,921	21,338,968	22,099,764
Commissions received	2,938,829	3,432,825	5,732,161	6,893,547
Commissions paid	(1,867,710)	(1,443,146)	(3,255,239)	(3,235,187)
Movement in deferred reinsurance commission reserves — net	(458,894)	(542,713)	375,818	(147,170)
Gross underwriting income	11,545,327	12,379,887	24,191,708	25,610,954
Gross claims paid	(19,431,613)	(14,634,575)	(31,010,253)	(23,975,725)
Reinsurance share of insurance claims and loss adjustment expenses	12,421,890	9,745,058	18,763,510	15,169,440
Net claims paid	(7,009,723)	(4,889,517)	(12,246,743)	(8,806,285)
Movement in outstanding claims, incurred but not reported claims reserve, unexpired risk reserve and unallocated loss adjustment expense reserve	(440,756)	902,702	(632,962)	(656,815)
Net claims incurred	(7,450,479)	(3,986,815)	(12,879,705)	(9,463,100)
Net underwriting income	4,094,848	8,393,072	11,312,003	16,147,854
Income from financial investments	3,978,913	3,693,362	7,125,476	7,446,508
Income from investments property - net	1,262,829	1,249,781	2,612,121	2,647,728
Foreign currency exchange gain	38,476	(12,431)	85,170	18,432
Other income	385,923	649,482	1,016,282	1,308,588
Total income	9,760,989	13,973,266	22,151,052	27,569,110
General and administrative expenses	(4,033,972)	(3,714,912)	(8,094,838)	(7,427,018)
Other operating expenses	(926,586)	(619,082)	(1,646,221)	(1,348,238)
Profit for the period	4,800,431	9,639,272	12,409,993	18,793,854

**Notes to the condensed interim financial information
for the six months period ended 30 June 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 4.

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 six month period ended 30 June 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 six months period ended 30 June 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 six months period ended 30 June 2019 (continued)**

6. Investments at amortised cost

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Quoted bonds	173,952,678	148,630,471
Unquoted bonds	40,108,550	30,021,994
	<u>214,061,228</u>	<u>178,652,465</u>

The bonds carry interest at the rates ranging from 4.75% to 7.5% (2018: 5% to 7.25%) per annum and interest is receivable semi-annually. The Company holds these investments with the objective of receiving the contractual cash flows over the instruments' lives.

7. Investments carried at fair value through other comprehensive income

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
<i>Equity securities in the UAE market:</i>		
Quoted	4,497,053	4,497,053
	<u>4,497,053</u>	<u>4,497,053</u>

8. Investment properties

Investment property 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 30 June 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 six months period ended 30 June 2019 (continued)**

10. Premium and insurance balances receivable

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Due from policyholders	52,159,641	40,687,403
Due from insurance or reinsurance companies	3,265,519	3,664,005
Due from brokers or agents	5,935,005	7,789,550
Less: Provision for impairment	(2,230,213)	(2,230,213)
	<u>59,129,952</u>	<u>49,910,745</u>

Within U.A.E.

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Due from policyholders	52,159,641	40,687,403
Due from insurance or reinsurance companies	1,902,172	1,773,580
Due from brokers or agents	5,935,005	7,789,550
Less: Provision for impairment	(2,230,213)	(2,230,213)
	<u>57,766,605</u>	<u>48,020,320</u>

Outside U.A.E.

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Due from insurance or reinsurance companies	1,363,347	1,890,425
	<u>1,363,347</u>	<u>1,890,425</u>

**Notes to the condensed interim financial information
for the six months period ended 30 June 2019 (continued)**

11. Technical provisions

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Gross		
Technical provisions:		
Unearned premium reserve	88,994,637	75,697,127
Deferred reinsurance commission reserve – net	15,815	(79,754)
Claims under settlement reserve	77,678,591	76,061,643
Incurred but not reported reserve	6,034,674	6,367,102
Unallocated loss adjustment expense reserve	475,394	502,307
Unexpired risk reserve	454,836	664,484
Mathematical reserve	569,091,932	561,090,821
Total technical provisions - gross	742,745,879	720,303,730
Recoverable from re-insurers		
Unearned premium reserve	63,125,720	54,384,215
Claims under settlement reserve	69,663,013	69,199,041
Incurred but not reported reserve	3,616,222	3,656,889
Unexpired risk reserve	219,471	655,989
Total re-insurers' share of technical provisions	136,624,426	127,896,134
Net		
Unearned premium reserve	25,868,917	21,312,912
Deferred reinsurance commission reserve – net	15,815	(79,754)
Claims under settlement reserve	8,015,578	6,862,602
Incurred but not reported reserve	2,418,452	2,710,213
Unallocated loss adjustment expense reserve	475,394	502,307
Unexpired risk reserve	235,365	8,495
Mathematical reserve	569,091,932	561,090,821
	606,121,453	592,407,596
12. Other receivables and prepayments		
	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Receivable from employees	458,425	458,355
Refundable deposits	173,975	175,072
Prepayments	3,113,453	1,277,293
Others	20,681,081	15,835,708
Less: Provision for impairment	(1,036,541)	(1,036,541)
	23,390,393	16,709,887

**Notes to the condensed interim financial information
for the six months period ended 30 June 2019 (continued)**

13. Deposits

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Short term deposits with banks in the UAE	211,323,139	200,745,139
Accrued interest	4,750,968	2,550,843
Total short term deposits	216,074,107	203,295,982
Long term deposits with banks in the UAE	397,050,000	445,800,000
Accrued interest	18,320,993	15,378,877
Total long term deposits	415,370,993	461,178,877
Total deposits	631,445,100	664,474,859

Deposits comprise fixed deposits with banks 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

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Cash on hand	88,212	1,683,173
Current accounts with banks	34,907,223	24,579,419
	34,995,435	26,262,592

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

15. Share capital

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Issued and fully paid:		
1,000,000 ordinary shares of AED 100 each (31 December 2018:	100,000,000	100,000,000
1,000,000 ordinary shares of AED 100 each)		

**Notes to the condensed interim financial information
for the six months period ended 30 June 2019 (continued)**

16. Accounts payable

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Payables inside UAE	9,095,811	7,078,506
Payables outside UAE	30,858,264	21,725,342
Other payables	24,894,976	19,698,977
	<hr/> 64,849,051 <hr/>	<hr/> 48,502,825 <hr/>
	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Within U.A.E.		
Insurance companies	3,265,773	2,288,552
Insurance brokers	5,830,038	4,789,954
Other payables	24,894,976	19,698,977
	<hr/> 33,990,787 <hr/>	<hr/> 26,777,483 <hr/>
	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Outside U.A.E.		
Insurance companies	3,893,342	119,024
Reinsurance companies	26,964,922	21,606,318
	<hr/> 30,858,264 <hr/>	<hr/> 21,725,342 <hr/>
Other payables		
	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Provision for staff benefits	3,018,699	4,275,442
Rent received in advance	8,392,263	887,642
Accruals and provision	662,728	731,100
Other payables	12,821,286	13,804,793
	<hr/> 24,894,976 <hr/>	<hr/> 19,698,977 <hr/>

**Notes to the condensed interim financial information
for the six months period ended 30 June 2019 (continued)**

16. Accounts payable (continued)

Insurance contract liabilities

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Maturity payable	11,419,974	12,767,798
Bonus and surrenders payable	5,445,288	6,658,549
Claims payable	1,533,519	2,282,998
Other insurance payables	37,067,338	29,411,932
	<u>55,466,119</u>	<u>51,121,277</u>

17. Basic and diluted earnings per share

	Three months period ended 30 June		Six months period ended 30 June	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Profit for the period (AED)	11,291,308	12,315,959	24,823,301	26,450,912
Number of shares	1,000,000	1,000,000	1,000,000	1,000,000
Basic and diluted earnings per share (AED)	<u>11.29</u>	<u>12.32</u>	<u>24.82</u>	<u>26.45</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 six months period ended 30 June 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:

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Due from related parties	1,258,317	1,600,780
Due to related parties	25,467	-

Transactions:

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

	Three months period ended 30 June		Six months period ended 30 June	
	2019 (unaudited) AED	2018 (unaudited) AED	2019 (unaudited) AED	2018 (unaudited) AED
Premiums	45,146	61,712	1,006,862	1,601,053
Claims paid	55,431	30,088	62,331	73,729

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

Compensation of key management personnel

	Three months period ended 30 June		Six months period ended 30 June	
	2019 (unaudited) AED	2018 (unaudited) AED	2019 (unaudited) AED	2018 (unaudited) AED
Key management personnel remuneration including benefits	369,546	378,997	894,064	747,715

19. Contingent liabilities

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Letters of guarantee	11,507,188	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 six months period ended 30 June 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 June 2019 (unaudited) AED	31 December 2018 (audited) AED		
Quoted equity securities – FVTOCI	4,497,053	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 six months period ended 30 June 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 (2018: AED 30 million for 2017).

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 4 August 2019.