

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

**Review report and condensed interim financial information
for the six months period ended 30 June 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 30 June 2020 and the related condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the six 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
9 August 2020
Sharjah, United Arab Emirates

**Condensed statement of financial position
at 30 June 2020**

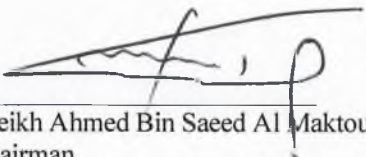
	Notes	30 June 2020 AED (unaudited)	31 December 2019 AED (audited)
ASSETS			
Property and equipment		4,739,743	5,091,410
Investment properties	6	205,786,000	205,786,000
Investments in securities	7	272,668,628	241,190,290
Loans guaranteed by life insurance policies		49,724,980	49,125,889
Reinsurers' share of technical provisions	8	146,628,423	133,963,373
Deferred acquisition costs		3,658,658	3,050,501
Premium and insurance balances receivable	9	71,391,268	59,674,956
Other receivables and prepayments	10	30,955,269	16,893,669
Statutory deposit	11	10,000,000	10,000,000
Deposits	12	553,402,986	567,540,653
Cash and cash equivalents	13	33,150,626	77,801,820
Total assets		1,382,106,581	1,370,118,561
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	100,000,000	100,000,000
Statutory reserve		85,335,163	85,335,163
Regular reserve		75,745,963	75,745,963
General reserve		222,000,000	217,000,000
Cumulative change in fair value through other comprehensive income (FVOCI) investments		(6,623,422)	(6,123,749)
Retained earnings		33,205,200	43,414,150
Total equity		509,662,904	515,371,527
Liabilities			
Provision for employees' end of service indemnity		4,813,855	5,242,910
Accounts payable	15	68,394,946	60,353,103
		73,208,801	65,596,013
Insurance liabilities			
Insurance liabilities	16	73,034,513	63,661,777
Premium collected in advance		9,077,728	9,991,587
Deferred commission income		3,447,652	3,156,043
		85,559,893	76,809,407


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


**Condensed statement of financial position
at 30 June 2020 (continued)**

	Notes	30 June 2020 AED (unaudited)	31 December 2019 AED (audited)
Insurance contract liabilities –			
Technical provisions	8		
Unearned premium reserve		73,483,829	73,548,723
Claims under settlement reserve		91,188,225	76,169,686
Incurred but not reported reserve		12,043,432	11,803,221
Unallocated loss adjustment expense reserve		515,496	505,209
Unexpired risk reserve		95,247	84,467
Mathematical reserve		536,348,754	550,230,308
Total insurance contract liabilities		713,674,983	712,341,614
Total liabilities		872,443,677	854,747,034
Total equity and liabilities		1,382,106,581	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 six months period ended 30 June 2020**

	Three months period ended		Six months period ended	
	2020 AED	30 June 2019 AED	2020 AED	30 June 2019 AED
Gross premiums	63,232,121	60,589,674	128,046,108	146,080,864
Reinsurance share of gross premiums	(29,676,912)	(26,442,222)	(60,165,127)	(70,868,657)
Net premium	33,555,209	34,147,452	67,880,981	75,212,207
Net change in unearned premium/unexpired risk reserves	(3,583,020)	(217,917)	(2,760,537)	(4,782,875)
Net premium earned	29,972,189	33,929,535	65,120,444	70,429,332
Commissions received	2,980,218	2,965,360	5,718,210	6,826,779
Commissions paid	(3,893,504)	(4,126,471)	(7,359,155)	(7,995,942)
Movement in deferred acquisition costs/ commission income – net	(229,333)	(1,012,104)	316,548	(95,569)
Gross underwriting income	28,829,570	31,756,320	63,796,047	69,164,600
Gross claims paid	(8,594,462)	(19,776,463)	(20,559,146)	(32,145,740)
Reinsurance share of insurance claims and loss adjustment expenses	3,873,761	12,399,044	9,775,507	19,043,548
Net claims paid	(4,720,701)	(7,377,419)	(10,783,639)	(13,102,192)
Movement in outstanding claims, incurred but not reported claims reserve, and unallocated loss adjustment expense reserve	1,189,371	2,706,205	210,664	1,356,163
Earnings and cancellations of life insurance policies	(23,629,502)	(16,340,076)	(40,050,967)	(29,730,934)
Decrease/(increase) in mathematical reserves	14,256,590	(1,147,530)	13,881,554	(8,001,111)
Net claims incurred	(12,904,242)	(22,158,820)	(36,742,388)	(49,478,074)
Net underwriting income	15,925,328	9,597,500	27,053,659	19,686,526
Income from financial investments	10,332,105	10,690,301	20,650,812	20,643,642
Income from investment properties - net	3,128,883	3,488,180	6,570,198	7,149,883
Foreign currency exchange gain	65,342	96,120	102,383	193,382
Other income	356,483	408,290	989,036	1,103,201
Total income	29,808,141	24,280,391	55,366,088	48,776,634
General and administrative expenses	(6,811,991)	(6,811,122)	(13,795,609)	(13,355,325)
Provision for expected credit loss	-	-	(2,639,845)	-
Bonuses and rebates (net of reinsurance)	(8,016,865)	(5,159,709)	(13,165,557)	(8,766,200)
Other operating expenses	(448,171)	(1,018,252)	(974,027)	(1,831,808)
Profit for the period	14,531,114	11,291,308	24,791,050	24,823,301
Basic and diluted earnings per share (Note 17)	14.53	11.29	24.79	24.82

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

**Condensed statement of comprehensive income (unaudited)
for the six months period ended 30 June 2020**

	Three months period ended		Six months period ended	
	2020	30 June	2020	30 June
	AED	AED	AED	AED
Profit for the period	14,531,114	11,291,308	24,791,050	24,823,301
Other comprehensive income/(loss)				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net unrealised gain/(loss) from FVOCI investments	178,454	(392,599)	(499,673)	-
Total comprehensive income for the period	14,709,568	10,898,709	24,291,377	24,823,301

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

**Condensed statement of changes in equity
for the six months period ended 30 June 2020**

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Cumulative change in FVOCI investments AED	Retained earnings AED	Total AED
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
Balance at 31 December 2019 (Audited)	100,000,000	85,335,163	75,745,963	217,000,000	(6,123,749)	43,414,150	515,371,527
Total comprehensive (loss)/income for the period	-	-	-	-	(499,673)	24,791,050	24,291,377
Dividends paid (Note 22)	-	-	-	-	-	(30,000,000)	(30,000,000)
Transfer to general reserve	-	-	-	5,000,000	-	(5,000,000)	-
Balance at 30 June 2020 (Unaudited)	100,000,000	85,335,163	75,745,963	222,000,000	(6,623,422)	33,205,200	509,662,904

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

**Condensed statement of cash flows (unaudited)
for the six months period ended 30 June 2020**

	Six months period ended 30 June	
	2020	2019
	AED	AED
Cash flows from operating activities		
Profit for the period	24,791,050	24,823,301
Adjustments for:		
Depreciation of property and equipment	470,747	517,955
Interest income from investments at amortised cost	(7,341,738)	(6,314,052)
Amortisation of fees, premiums and discounts on investments	882,213	55,319
Interest income from deposits	(11,209,990)	(12,602,582)
Interest income from loans guaranteed by life insurance policies	(1,742,177)	(1,727,008)
Dividend income	(356,907)	-
Income from investment properties	(6,570,198)	(7,149,883)
Provision for employees' end of service indemnity	231,577	568,487
Provision for expected credit loss	2,639,845	-
Operating cash flows before changes in operating assets and liabilities	1,794,422	(1,828,463)
Increase in insurance, other receivables and prepayments	(22,122,088)	(10,547,432)
Increase in reinsurance share of technical provisions	(12,665,050)	(8,728,292)
(Decrease)/increase in mathematical reserve	(13,881,554)	8,001,111
Increase in technical reserve	15,214,923	14,536,607
(Increase)/decrease in deferred acquisition cost reserves	(608,157)	395,645
Increase/(decrease) in deferred acquisition costs/ commission income – net	291,609	(491,214)
Increase in accounts payable, insurance liabilities and premium collected in advance	10,536,384	12,625,762
Cash (used in)/generated from operations	(21,439,511)	13,963,724
Employees end of service indemnity paid	(660,632)	(456,647)
Net cash (used in)/generated from operating activities	(22,100,143)	13,507,077
Cash flows from investing activities		
Purchase of property and equipment	(119,080)	(335,599)
Net increase in loans guaranteed by life insurance policies	1,143,086	(223,169)
Purchases of financial investments at amortised cost	(35,500,069)	(96,367,732)
Sales/maturity of financial investments at amortised cost	-	60,903,650
Income received on deposits	6,250,604	7,460,341
Income received from investments at amortised cost	7,238,825	5,124,285
Deposits encashed during the period	19,097,053	38,172,000
Dividend income received	356,907	-
Rental income received from investment properties	8,981,623	10,491,990
Net cash generated from investing activities	7,448,949	25,225,766
Cash flow from financing activities		
Dividend paid	(30,000,000)	(30,000,000)
Net cash used in financing activities	(30,000,000)	(30,000,000)
Net (decrease)/increase in cash and cash equivalents	(44,651,194)	8,732,843
Cash and cash equivalents at the beginning of the period	77,801,820	26,262,592
Cash and cash equivalents at the end of the period	33,150,626	34,995,435

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

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

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
ASSETS		
Property and equipment	2,789,154	3,024,440
Investment properties	125,726,200	123,338,174
Investments at amortised cost	204,361,101	171,617,613
Loans guaranteed by life insurance policies	49,724,980	49,125,889
Reinsurers' share of technical provisions	1,388,259	2,670,429
Deferred acquisition costs	159,513	76,826
Premium and insurance balances receivable	547,002	129,906
Other receivables and prepayments	11,520,811	6,644,486
Statutory deposits	2,000,000	2,000,000
Deposits	298,420,039	314,114,081
Cash and cash equivalents	6,797,554	49,333,795
Inter-division balance	135,991,451	132,284,229
Total assets	839,426,064	854,359,868
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	50,000,000	50,000,000
Retained earnings	14,128,032	20,834,613
Statutory reserve	40,679,006	40,679,006
Regular reserve	35,884,406	35,884,406
General reserve	107,552,461	104,794,961
Total equity	248,243,905	252,192,986
Liabilities		
Provision for employees' end of service indemnity	2,172,027	2,541,683
Accounts payable	16,013,600	10,781,085
	18,185,627	13,322,768
Insurance liabilities		
Insurance liabilities	23,813,160	23,609,499
Premium collected in advance	9,077,728	9,991,587
Deferred commission income	347	4,239
	32,891,235	33,605,325

**Notes to the condensed interim financial information
for the six months period ended 30 June 2020 (continued)**

1. Segment information (continued)

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

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Insurance contract liabilities – Technical provisions		
Unearned premium reserve	1,105,618	1,008,352
Claims under settlement reserve	2,142,578	3,211,513
Incurred but not reported reserve	488,490	761,922
Unallocated loss adjustment expense reserve	19,857	26,694
Mathematical reserve	536,348,754	550,230,308
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Total insurance contract liabilities	540,105,297	555,238,789
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Total liabilities	591,182,159	602,166,882
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Total equity and liabilities	839,426,064	854,359,868
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**Notes to the condensed interim financial information
for the six months period ended 30 June 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		Six months period ended	
	30 June		30 June	
	2020	2019	2020	2019
	AED	AED	AED	AED
Gross premiums	22,477,410	24,122,268	49,007,642	51,092,506
Reinsurance share of gross premiums	(893,255)	(755,056)	(1,792,634)	(1,665,807)
Net premium	21,584,155	23,367,212	47,215,008	49,426,699
Net change in unearned premium/ unexpired risk reserves	(143,178)	(144,070)	(273,493)	(109,465)
Net premium earned	21,440,977	23,223,142	46,941,515	49,317,234
Commissions received	18,175	26,531	45,333	1,094,618
Commissions paid	(1,658,128)	(2,258,761)	(3,978,667)	(4,740,703)
Movement in deferred acquisition costs/ commission income – net	36,432	23,748	86,579	29,149
Gross underwriting income	19,837,456	21,014,660	43,094,760	45,700,298
Gross claims paid	(1,178,043)	(344,850)	(2,082,492)	(1,135,487)
Reinsurance share of insurance claims and loss adjustment expenses	202,484	(22,846)	560,678	280,038
Net claims paid	(975,559)	(367,696)	(1,521,814)	(855,449)
Movement in outstanding claims, incurred but not reported claims reserve, and unallocated loss adjustment expense reserves	433,936	2,343,294	243,261	1,261,719
Earnings and cancellations of life insurance policies	(23,629,502)	(16,340,076)	(40,050,967)	(29,730,934)
Decrease/(increase) in mathematical reserves	14,256,590	(1,147,530)	13,881,554	(8,001,111)
Net claims incurred	(9,914,535)	(15,512,008)	(27,447,966)	(37,325,775)
Net underwriting income	9,922,921	5,502,652	15,646,794	8,374,523
Income from financial investments	6,560,617	6,711,388	13,267,769	13,518,166
Income from investments properties - net	1,989,566	2,225,351	4,120,247	4,537,762
Foreign currency exchange gain	65,862	57,644	102,432	108,212
Other income	26,657	22,367	39,117	86,919
Total income	18,565,623	14,519,402	33,176,359	26,625,582
General and administrative expenses	(2,624,939)	(2,777,150)	(5,229,922)	(5,260,487)
Provision for expected credit loss	-	-	(2,014,668)	-
Bonuses and rebates (net of reinsurance)	(8,016,865)	(5,159,709)	(13,165,557)	(8,766,200)
Other operating expenses	(67,432)	(91,666)	(170,293)	(185,587)
Profit for the period	7,856,387	6,490,877	12,595,919	12,413,308

**Notes to the condensed interim financial information
for the six months period ended 30 June 2020 (continued)**

1. Segment information (continued)

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

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
ASSETS		
Property and equipment	1,950,589	2,066,970
Investment properties	80,059,800	82,447,826
Investments in securities	68,307,527	69,572,677
Reinsurers' share of technical provisions	145,240,164	131,292,944
Deferred acquisition costs	3,499,145	2,973,675
Premium and insurance balances receivable	70,844,266	59,545,050
Other receivables and prepayments	19,434,458	10,249,183
Statutory deposits	8,000,000	8,000,000
Deposits	254,982,947	253,426,572
Cash and cash equivalents	26,353,072	28,468,025
Total assets	678,671,968	648,042,922
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	50,000,000	50,000,000
Retained earnings	19,077,168	22,579,537
Statutory reserve	44,656,157	44,656,157
Regular reserve	39,861,557	39,861,557
General reserve	114,447,539	112,205,039
Cumulative change in FVOCI investments	(6,623,422)	(6,123,749)
Total equity	261,418,999	263,178,541
Liabilities		
Provision for employees' end of service indemnity	2,641,828	2,701,227
Accounts payable	52,381,346	49,572,018
Inter-division balance	135,991,451	132,284,229
	191,014,625	184,557,474
Insurance liabilities		
Insurance liabilities	49,221,353	40,052,278
Deferred commission income	3,447,305	3,151,804
	52,668,658	43,204,082

**Notes to the condensed interim financial information
for the six months period ended 30 June 2020 (continued)**

1. Segment information (continued)

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

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Insurance contract liabilities – Technical provisions		
Unearned premium reserve	72,378,211	72,540,371
Claims under settlement reserve	89,045,647	72,958,173
Incurred but not reported reserve	11,554,942	11,041,299
Unallocated loss adjustment expense reserve	495,639	478,515
Unexpired risk reserve	95,247	84,467
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Total insurance contract liabilities	173,569,686	157,102,825
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Total liabilities	417,252,969	384,864,381
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Total equity and liabilities	678,671,968	648,042,922
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**Notes to the condensed interim financial information
for the six months period ended 30 June 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		Six months period ended	
	2020	30 June	2020	30 June
	AED	AED	AED	AED
Gross premiums	40,754,711	36,467,406	79,038,466	94,988,358
Reinsurance share of gross premiums	(28,783,657)	(25,687,166)	(58,372,493)	(69,202,850)
Net premium	11,971,054	10,780,240	20,665,973	25,785,508
Net change in unearned premium/ unexpired risk reserves	(3,439,842)	(73,847)	(2,487,044)	(4,673,410)
Net premium earned	8,531,212	10,706,393	18,178,929	21,112,098
Commissions received	2,962,043	2,938,829	5,672,877	5,732,161
Commissions paid	(2,235,376)	(1,867,710)	(3,380,488)	(3,255,239)
Movement in deferred acquisition costs/ commission income – net	(265,765)	(1,035,852)	229,969	(124,718)
Gross underwriting income	8,992,114	10,741,660	20,701,287	23,464,302
Gross claims paid	(7,416,419)	(19,431,613)	(18,476,654)	(31,010,253)
Reinsurance share of insurance claims and loss adjustment expenses	3,671,277	12,421,890	9,214,829	18,763,510
Net claims paid	(3,745,142)	(7,009,723)	(9,261,825)	(12,246,743)
Movement in outstanding claims, incurred but not reported claims reserve, unallocated loss adjustment expense reserve	755,435	362,911	(32,597)	94,444
Net claims incurred	(2,989,707)	(6,646,812)	(9,294,422)	(12,152,299)
Net underwriting income	6,002,407	4,094,848	11,406,865	11,312,003
Income from financial investments	3,771,488	3,978,913	7,383,043	7,125,476
Income from investments property - net	1,139,317	1,262,829	2,449,951	2,612,121
Foreign currency exchange gain	(520)	38,476	(49)	85,170
Other income	329,826	385,923	949,919	1,016,282
Total income	11,242,518	9,760,989	22,189,729	22,151,052
General and administrative expenses	(4,187,052)	(4,033,972)	(8,565,687)	(8,094,838)
Provision for expected credit loss	-	-	(625,177)	-
Other operating expenses	(380,739)	(926,586)	(803,734)	(1,646,221)
Profit for the period	6,674,727	4,800,431	12,195,131	12,409,993

**Notes to the condensed interim financial information
for the six months period ended 30 June 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. 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,
- fair value measurement of financial instruments,
- fair value measurement of investment properties,
- provision for outstanding claims and claims incurred but not reported, and
- reduction in gross premium due to non-renewal of policies.

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 six months period ended 30 June 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)**

- Definition of Material – Amendments to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’.
- Definition of a Business – 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.
- Amendment to IFRS 16 ‘Leases’ to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The effective date is 1 June 2020.

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 2023.
- Amendments relating to IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning after 1 January 2022)
- IFRS 4: *Insurance Contracts*. Amendments regarding the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 is now 1 January 2023.

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 six months period ended 30 June 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 six months period ended 30 June 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. 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 any material impact on the recoverability of premium and insurance balances receivable as at 30 June 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 any material impact on the fair values of financial assets and liabilities as at 30 June 2020 other than the change which is already reflected in the condensed interim financial information.

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 as at 30 June 2020. The Company will consistently monitor the market and ensure that the prices used by the Company are an accurate representation of fair values.

**Notes to the condensed interim financial information
for the six months period ended 30 June 2020 (continued)**

5. Changes in judgements and estimation uncertainty (continued)

Provision for outstanding claims and claims incurred but not reported

The Company has performed an assessment of the impact of COVID-19 on its contractual arrangements, provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Company determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported as at 30 June 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 30 June 2020 (31 December 2019: Level 3).

7. Investment in securities

Investment in securities comprises of the following:

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Investments at amortised cost (note 7a)	268,528,484	236,550,473
Investments at FVOCI (note 7b)	4,140,144	4,639,817
	272,668,628	241,190,290
	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Quoted bonds	271,736,983	237,119,127
Provision for expected credit loss	(3,208,499)	(568,654)
	268,528,484	236,550,473

**Notes to the condensed interim financial information
for the six months period ended 30 June 2020 (continued)**

7. Investment in securities (continued)

7a. Investments at amortised cost (continued)

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Inside UAE	134,427,107	136,924,572
Outside UAE	134,101,377	99,625,901
	268,528,484	236,550,473

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.

	30 June 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
Balance at the end of the period / year	3,208,499	568,654

7b. Investments at FVOCI

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Quoted equity securities in the UAE:	4,140,144	4,639,817

**Notes to the condensed interim financial information
for the six months period ended 30 June 2020 (continued)**

8. Insurance contract liabilities - Technical provisions

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Gross		
Insurance contract liabilities - Technical provisions:		
Unearned premium reserve	73,483,829	73,548,723
Claims under settlement reserve	91,188,225	76,169,686
Incurred but not reported reserve	12,043,432	11,803,221
Unallocated loss adjustment expense reserve	515,496	505,209
Unexpired risk reserve	95,247	84,467
Mathematical reserve	536,348,754	550,230,308
Total technical provisions – gross	713,674,983	712,341,614
Reinsurers' share of technical provisions:		
Unearned premium reserve	51,723,446	54,549,752
Claims under settlement reserve	86,245,780	70,753,251
Incurred but not reported reserve	8,568,823	8,581,651
Unexpired risk reserve	90,374	78,719
Total reinsurers' share of technical provisions	146,628,423	133,963,373
Net		
Unearned premium reserve	21,760,383	18,998,971
Claims under settlement reserve	4,942,445	5,416,435
Incurred but not reported reserve	3,474,609	3,221,570
Unallocated loss adjustment expense reserve	515,496	505,209
Unexpired risk reserve	4,873	5,748
Mathematical reserve	536,348,754	550,230,308
	567,046,560	578,378,241

9. Premium and insurance balances receivable

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from policyholders	58,763,296	50,681,891
Due from insurance or reinsurance companies	2,739,829	2,594,759
Due from brokers or agents	12,204,640	8,714,803
Less: Provision for expected credit losses	(2,316,497)	(2,316,497)
	71,391,268	59,674,956

**Notes to the condensed interim financial information
for the six months period ended 30 June 2020 (continued)**

9. Premium and insurance balances receivable (continued)

Within U.A.E.

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from policyholders	58,763,296	50,681,891
Due from insurance or reinsurance companies	1,393,066	1,446,738
Due from brokers or agents	12,204,640	8,714,803
Less: Provision for expected credit losses	(2,316,497)	(2,316,497)
	70,044,505	58,526,935

Outside U.A.E.

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from insurance or reinsurance companies	1,346,763	1,148,021

10. Other receivables and prepayments

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Receivable from employees	299,075	418,510
Refundable deposits	179,029	178,562
Prepayments	3,882,421	1,832,915
Others	27,713,825	15,582,763
Less: Provision for impairment	(1,119,081)	(1,119,081)
	30,955,269	16,893,669

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 six months period ended 30 June 2020 (continued)**

12. Deposits

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Short term deposits with banks in the UAE	344,661,447	363,758,501
Accrued interest	8,562,870	4,692,286
Subtotal A (current portion)	353,224,317	368,450,787
Long term deposits with banks in the UAE	190,850,000	190,850,000
Accrued interest	9,794,585	8,705,782
Subtotal B (non-current portion)	200,644,585	199,555,782
Provision for expected credit loss (C)	(465,916)	(465,916)
Grand total (A+B+C)	553,402,986	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

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Cash on hand	88,973	900,196
Current accounts with banks	33,115,253	76,955,224
Provision for expected credit losses	(53,600)	(53,600)
	33,150,626	77,801,820

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

14. Share capital

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Issued and fully paid: (30 June 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 six months period ended 30 June 2020 (continued)**

15. Accounts payable

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Payables inside UAE	10,845,937	8,475,185
Payables outside UAE	35,847,789	33,462,495
Other payables (note 15.1)	21,701,220	18,415,423
	<u>68,394,946</u>	<u>60,353,103</u>
	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Within U.A.E.		
Insurance companies	4,889,822	2,874,542
Insurance brokers	5,956,115	5,600,643
Other payables	21,701,220	18,415,423
	<u>32,547,157</u>	<u>26,890,608</u>
	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Outside U.A.E.		
Insurance companies	2,031,765	219,680
Reinsurance companies	33,816,024	33,242,815
	<u>35,847,789</u>	<u>33,462,495</u>
	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
15.1 Other payables		
Provision for staff benefits	2,685,184	4,541,788
Rent received in advance	6,797,487	833,151
Accruals and provision	378,892	663,288
Other payables	11,839,657	12,377,196
	<u>21,701,220</u>	<u>18,415,423</u>

**Notes to the condensed interim financial information
for the six months period ended 30 June 2020 (continued)**

16. Insurance contract liabilities

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Maturity payable	15,008,038	15,501,098
Bonus and surrenders payable	7,025,587	7,337,720
Claims payable	1,499,296	1,248,999
Other insurance payables	49,501,592	39,573,960
	73,034,513	63,661,777

17. Basic and diluted earnings per share

	Three months period ended 30 June		Six months period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Profit for the period (AED)	14,531,114	11,291,308	24,791,050	24,823,301
Number of shares	1,000,000	1,000,000	1,000,000	1,000,000
Basic and diluted earnings per share (AED)	14.53	11.29	24.79	24.82

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:

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from related parties	1,349,203	1,140,071

**Notes to the condensed interim financial information
for the six months period ended 30 June 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		Six months period ended	
	2020	30 June	2020	30 June
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED
Premiums	1,075,579	45,146	2,543,639	1,006,862
Claims paid	342,023	55,431	696,302	62,331

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

Compensation of key management personnel

	Three months period ended		Six months period ended	
	2020	30 June	2020	30 June
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED
Key management personnel remuneration including benefits	480,619	369,546	956,471	894,064

19. Contingent liabilities

	30 June	31 December
	2020	2019
	(unaudited)	(audited)
	AED	AED
Letters of guarantee	11,208,965	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 six months period ended 30 June 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 June 2020 (unaudited) AED	31 December 2019 (audited) AED		
Quoted equity securities – FVOCI	4,140,144	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 six months period ended 30 June 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. Reclassification

The following balances in the condensed statement of profit or loss for the prior year period have been reclassified to conform to the current period presentation.

	As previously reported at 30 June 2019 AED	Reclassification AED	As reclassified at 30 June 2019 AED
Net change in unearned premium /unexpired risk reserves	(4,556,005)	(226,870)	(4,782,875)
Movement in deferred acquisition costs/ commission income – net	481,309	(576,878)	(95,569)
Movement in outstanding claims, incurred but not reported claims reserve, and unallocated loss adjustment expense reserve	552,415	803,748	1,356,163

**Notes to the condensed interim financial information
for the six months period ended 30 June 2020 (continued)****23. Reclassification (continued)**

The above reclassifications also had changes done in the statement of profit or loss for property and liability insurance and statement of profit or loss for insurance of persons and fund accumulation operations. However, there was no impact to profit for the prior period based on above reclassifications. Reclassification was also made in the statement of cash flows for the prior period to conform to the current period presentation.

24. Approval of the condensed interim financial information

The condensed interim financial information were approved by the Board of Directors and authorised for issue on 9 August 2020.