

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

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

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

	Notes	30 September 2020 AED (unaudited)	31 December 2019 AED (audited)
ASSETS			
Property and equipment		4,475,623	5,091,410
Investment properties	6	205,786,000	205,786,000
Investments in securities	7	309,169,456	241,190,290
Loans guaranteed by life insurance policies		50,956,638	49,125,889
Reinsurers' share of technical provisions	8	186,285,485	133,963,373
Deferred acquisition costs		5,249,316	3,050,501
Premium and insurance balances receivable	9	82,575,310	59,674,956
Other receivables and prepayments	10	23,866,393	16,893,669
Statutory deposit	11	10,000,000	10,000,000
Deposits	12	514,177,491	567,540,653
Cash and cash equivalents	13	51,257,441	77,801,820
Total assets		1,443,799,153	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		(6,659,113)	(6,123,749)
Retained earnings		42,927,448	43,414,150
Total equity		519,349,461	515,371,527
Liabilities			
Provision for employees' end of service indemnity		4,888,119	5,242,910
Accounts payable	15	84,827,710	60,353,103
		89,715,829	65,596,013
Insurance liabilities			
Insurance liabilities	16	62,723,024	63,661,777
Premium collected in advance		9,851,637	9,991,587
Deferred commission income		4,285,692	3,156,043
		76,860,353	76,809,407


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

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

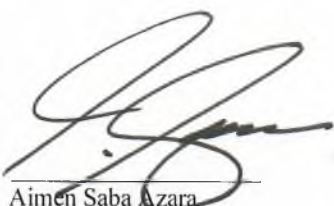
	Notes	30 September 2020 AED (unaudited)	31 December 2019 AED (audited)
Insurance contract liabilities –			
Technical provisions	8		
Unearned premium reserve		93,113,470	73,548,723
Claims under settlement reserve		115,715,208	76,169,686
Incurred but not reported reserve		15,950,296	11,803,221
Unallocated loss adjustment expense reserve		636,570	505,209
Unexpired risk reserve		547,793	84,467
Mathematical reserve		531,910,173	550,230,308
Total insurance contract liabilities		<u>757,873,510</u>	<u>712,341,614</u>
Total liabilities		<u>924,449,692</u>	<u>854,747,034</u>
Total equity and liabilities		<u>1,443,799,153</u>	<u>1,370,118,561</u>

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 nine months period ended 30 September 2020**

	Three months period ended 30 September		Nine months period ended 30 September	
	2020 AED	2019 AED	2020 AED	2019 AED
Gross premiums	90,984,136	71,320,172	219,030,244	217,401,036
Reinsurance share of gross premiums	(50,897,683)	(38,907,955)	(111,062,810)	(109,776,612)
Net premium	40,086,453	32,412,217	107,967,434	107,624,424
Net change in unearned premium/unexpired risk reserves	(6,993,045)	2,892,736	(9,753,582)	(1,890,139)
Net premium earned	33,093,408	35,304,953	98,213,852	105,734,285
Commissions received	3,514,581	2,309,613	9,232,791	9,136,392
Commissions paid	(5,817,225)	(3,729,928)	(13,176,380)	(11,725,870)
Movement in deferred reinsurance commission reserves – net	752,618	(841,159)	1,069,166	(936,728)
Gross underwriting income	31,543,382	33,043,479	95,339,429	102,208,079
Gross claims paid	(8,251,036)	(23,390,489)	(28,810,182)	(55,536,229)
Reinsurance share of insurance claims and loss adjustment expenses	4,208,166	16,160,568	13,983,673	35,204,116
Net claims paid	(4,042,870)	(7,229,921)	(14,826,509)	(20,332,113)
Movement in outstanding claims, incurred but not reported claims reserve, unexpired risk reserve and unallocated loss adjustment expense reserve	(1,987,001)	783,604	(1,776,337)	2,139,767
Earnings and cancellations of life insurance policies	(20,004,302)	(18,537,706)	(60,055,269)	(48,268,640)
Decrease/(increase) in mathematical reserves	4,438,581	4,330,404	18,320,135	(3,670,707)
Net claims incurred	(21,595,592)	(20,653,619)	(58,337,980)	(70,131,693)
Net underwriting income	9,947,790	12,389,860	37,001,449	32,076,386
Income from financial investments	9,970,412	10,502,086	30,621,224	31,145,728
Income from investment properties - net	2,629,868	3,188,216	9,200,066	10,338,099
Foreign currency exchange gain	78,270	91,920	180,653	285,302
Other income	317,838	364,712	1,306,874	1,467,913
Total income	22,944,178	26,536,794	78,310,266	75,313,428
General and administrative expenses	(6,832,599)	(6,196,149)	(20,628,208)	(19,551,474)
Provision for expected credit loss	-	-	(2,639,845)	-
Bonuses and rebates (net of reinsurance)	(5,797,981)	(6,518,826)	(18,963,538)	(15,285,026)
Other operating expenses	(591,350)	(905,854)	(1,565,377)	(2,737,662)
Profit for the period	9,722,248	12,915,965	34,513,298	37,739,266
Basic and diluted earnings per share (Note 17)	9.72	12.92	34.51	37.74

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

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

	Three months period ended		Nine months period ended	
	30 September		30 September	
	2020	2019	2020	2019
	AED	AED	AED	AED
Profit for the period	9,722,248	12,915,965	34,513,298	37,739,266
Other comprehensive income/(loss)				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net unrealised (loss) / gain from FVOCI investments	(35,691)	107,072	(535,364)	107,072
Total comprehensive income for the period	9,686,557	13,023,037	33,977,934	37,846,338

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

**Condensed statement of changes in equity
for the nine months period ended 30 September 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	-	-	-	-	107,072	37,739,266	37,846,338
Dividends paid (Note 22)	-	-	-	-	-	(30,000,000)	(30,000,000)
Transfer to general reserve	-	-	-	7,000,000	-	(7,000,000)	-
Balance at 30 September 2019 (Unaudited)	100,000,000	80,410,216	70,821,016	217,000,000	(6,159,441)	43,129,826	505,201,617
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 income for the period	-	-	-	-	(535,364)	34,513,298	33,977,934
Dividends paid (Note 22)	-	-	-	-	-	(30,000,000)	(30,000,000)
Transfer to general reserve	-	-	-	5,000,000	-	(5,000,000)	-
Balance at 30 September 2020 (Unaudited)	100,000,000	85,335,163	75,745,963	222,000,000	(6,659,113)	42,927,448	519,349,461

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

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

	Nine months period ended 30 September	
	2020	2019
	AED	AED
Cash flows from operating activities		
Profit for the period	34,513,298	37,739,266
Adjustments for:		
Depreciation of property and equipment	717,095	781,478
Interest income from investments at amortised cost	(11,767,012)	(9,567,189)
Amortisation of fees, premiums and discounts on investments	1,155,792	212,770
Interest income from deposits	(15,921,153)	(18,951,804)
Interest income from loans guaranteed by life insurance policies	(2,576,152)	(2,626,735)
Dividend income	(356,907)	-
Income from investment properties	(9,200,066)	(10,338,099)
Provision for employees' end of service indemnity	345,659	690,308
Provision for expected credit loss	2,639,845	-
Operating cash flows before changes in operating assets and liabilities	(449,601)	(2,060,005)
Increase in insurance, other receivables and prepayments	(25,255,819)	(18,173,744)
Increase in reinsurance share of technical provisions	(52,322,112)	(12,391,622)
(Decrease)/increase in mathematical reserve	(18,320,135)	3,670,707
Increase in technical reserve	63,852,031	12,141,994
Increase in deferred acquisition cost reserves	(2,198,815)	(734,550)
Increase in deferred reinsurance commission reserve	1,129,649	1,671,278
Increase in accounts payable, insurance liabilities and premium collected in advance	20,079,024	21,314,033
Cash (used in)/generated from operations	(13,485,778)	5,438,091
Employees end of service indemnity paid	(700,450)	(514,321)
Net cash (used in)/generated from operating activities	(14,186,228)	4,923,770
Cash flows from investing activities		
Purchase of property and equipment	(101,308)	(384,050)
Net movement in loans guaranteed by life insurance policies	745,403	(1,708,944)
Purchases of financial investments at amortised cost	(72,310,167)	(96,367,732)
Sales/maturity of financial investments at amortised cost	-	60,903,650
Income received on deposits	16,689,732	16,904,289
Income received from investments at amortised cost	10,069,802	9,789,527
Deposits encashed during the period	52,594,583	29,607,198
Dividend income received	356,907	-
Rental income received from investment properties	9,596,897	11,111,421
Net cash generated from investing activities	17,641,849	29,855,359
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	(26,544,379)	4,779,129
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 (note 13)	51,257,441	31,041,721

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

**Notes to the condensed interim financial information
for the nine months period ended 30 September 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 September 2020 (unaudited) AED	31 December 2019 (audited) AED
ASSETS		
Property and equipment	2,548,051	3,024,440
Investment property	125,726,200	123,338,174
Investments at amortised cost	234,325,457	171,617,613
Loans guaranteed by life insurance policies	50,956,638	49,125,889
Reinsurers' share of technical provisions	2,210,021	2,670,429
Deferred acquisition costs	217,607	76,826
Premium and insurance balances receivable	635,607	129,906
Other receivables and prepayments	12,094,868	6,644,486
Statutory deposits	2,000,000	2,000,000
Deposits	269,584,276	314,114,081
Cash and cash equivalents	6,441,093	49,333,795
Inter-division balance	132,077,265	132,284,229
Total assets	838,817,083	854,359,868
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	50,000,000	50,000,000
Statutory reserve	40,679,006	40,679,006
Regular reserve	35,884,406	35,884,406
General reserve	107,552,461	104,794,961
Retained earnings	19,623,741	20,834,613
Total equity	253,739,614	252,192,986
Liabilities		
Provision for employees' end of service indemnity	2,223,964	2,541,683
Accounts payable	14,605,842	10,781,085
	16,829,806	13,322,768
Insurance liabilities		
Insurance liabilities	21,545,349	23,609,499
Premium collected in advance	9,851,637	9,991,587
Deferred commission income	58	4,239
	31,397,044	33,605,325

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

1. Segment information (continued)

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

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Insurance contract liabilities – Technical provisions		
Unearned premium reserve	1,344,036	1,008,352
Claims under settlement reserve	2,268,596	3,211,513
Incurred but not reported reserve	1,174,288	761,922
Unallocated loss adjustment expense reserve	19,670	26,694
Unexpired risk reserve	133,856	-
Mathematical reserve	531,910,173	550,230,308
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Total insurance contract liabilities	536,850,619	555,238,789
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Total liabilities	585,077,469	602,166,882
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Total equity and liabilities	838,817,083	854,359,868
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**Notes to the condensed interim financial information
for the nine months period ended 30 September 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		Nine months period ended	
	30 September		30 September	
	2020	2019	2020	2019
	AED	AED	AED	AED
Gross premiums	24,620,143	25,954,339	73,627,785	77,046,845
Reinsurance share of gross premiums	(1,002,285)	(1,581,531)	(2,794,919)	(3,247,338)
Net premium	23,617,858	24,372,808	70,832,866	73,799,507
Net change in unearned premium/ unexpired risk reserves	(211,451)	131,258	(484,944)	21,793
Net premium earned	23,406,407	24,504,066	70,347,922	73,821,300
Commissions received	22,583	78,621	67,916	1,173,239
Commissions paid	(2,173,874)	(2,442,957)	(6,152,541)	(7,183,660)
Movement in deferred reinsurance commission reserves — net	58,383	(12,965)	144,962	16,184
Gross underwriting income	21,313,499	22,126,765	64,408,259	67,827,063
Gross claims paid	(722,096)	(4,316,360)	(2,804,588)	(5,451,847)
Reinsurance share of insurance claims and loss adjustment expenses	497,010	2,330,302	1,057,688	2,610,340
Net claims paid	(225,086)	(1,986,058)	(1,746,900)	(2,841,507)
Movement in outstanding claims, incurred but not reported claims reserve, and unallocated loss adjustment expense reserve	(150,689)	(653,160)	92,572	608,559
Earnings and cancellations of life insurance policies	(20,004,302)	(18,537,706)	(60,055,269)	(48,268,640)
Decrease/(increase) in mathematical reserves	4,438,581	4,330,404	18,320,135	(3,670,707)
Net claims incurred	(15,941,496)	(16,846,520)	(43,389,462)	(54,172,295)
Net underwriting income	5,372,003	5,280,245	21,018,797	13,654,768
Income from financial investments	6,772,901	7,258,630	20,040,670	20,776,796
Income from investments property - net	1,769,911	2,095,287	5,890,158	6,633,049
Foreign currency exchange gain	40,111	87,647	142,543	195,859
Other income	22,043	23,433	61,160	110,352
Total income	13,976,969	14,745,242	47,153,328	41,370,824
General and administrative expenses	(2,609,419)	(2,475,767)	(7,839,341)	(7,736,254)
Provision for expected credit loss	-	-	(2,014,668)	-
Bonuses and rebates (net of reinsurance)	(5,797,981)	(6,518,826)	(18,963,538)	(15,285,026)
Other operating expenses	(73,860)	(96,981)	(244,153)	(282,568)
Profit for the period	5,495,709	5,653,668	18,091,628	18,066,976

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

1. Segment information (continued)

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

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
ASSETS		
Property and equipment	1,927,572	2,066,970
Investment property	80,059,800	82,447,826
Investments in securities	74,843,999	69,572,677
Reinsurers' share of technical provisions	184,075,464	131,292,944
Deferred acquisition costs	5,031,709	2,973,675
Premium and insurance balances receivable	81,939,703	59,545,050
Other receivables and prepayments	11,771,525	10,249,183
Statutory deposits	8,000,000	8,000,000
Deposits	244,593,215	253,426,572
Cash and cash equivalents	44,816,348	28,468,025
Total assets	737,059,335	648,042,922
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	50,000,000	50,000,000
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	(6,659,113)	(6,123,749)
Retained earnings	23,303,707	22,579,537
Total equity	265,609,847	263,178,541
Liabilities		
Provision for employees' end of service indemnity	2,664,155	2,701,227
Accounts payable	70,221,868	49,572,018
Inter-division balance	132,077,265	132,284,229
	204,963,288	184,557,474
Insurance liabilities		
Insurance liabilities	41,177,675	40,052,278
Deferred commission income	4,285,634	3,151,804
	45,463,309	43,204,082

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

1. Segment information (continued)

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

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Insurance contract liabilities – Technical provisions		
Unearned premium reserve	91,769,434	72,540,371
Claims under settlement reserve	113,446,612	72,958,173
Incurred but not reported reserve	14,776,008	11,041,299
Unallocated loss adjustment expense reserve	616,900	478,515
Unexpired risk reserve	413,937	84,467
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Total insurance contract liabilities	221,022,891	157,102,825
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Total liabilities	471,449,488	384,864,381
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Total equity and liabilities	737,059,335	648,042,922
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**Notes to the condensed interim financial information
for the nine months period ended 30 September 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 30 September		Nine months period ended 30 September	
	2020 AED	2019 AED	2020 AED	2019 AED
Gross premiums	66,363,993	45,365,833	145,402,459	140,354,191
Reinsurance share of gross premiums	(49,895,398)	(37,326,424)	(108,267,891)	(106,529,274)
Net premium	16,468,595	8,039,409	37,134,568	33,824,917
Net change in unearned premium/ unexpired risk reserves	(6,781,594)	2,761,478	(9,268,638)	(1,911,932)
Net premium earned	9,687,001	10,800,887	27,865,930	31,912,985
Commissions received	3,491,998	2,230,992	9,164,875	7,963,153
Commissions paid	(3,643,351)	(1,286,971)	(7,023,839)	(4,542,210)
Movement in deferred reinsurance commission reserves — net	694,235	(828,194)	924,204	(952,912)
Gross underwriting income	10,229,883	10,916,714	30,931,170	34,381,016
Gross claims paid	(7,528,940)	(19,074,129)	(26,005,594)	(50,084,382)
Reinsurance share of insurance claims and loss adjustment expenses	3,711,156	13,830,266	12,925,985	32,593,776
Net claims paid	(3,817,784)	(5,243,863)	(13,079,609)	(17,490,606)
Movement in outstanding claims, incurred but not reported claims reserve, unallocated loss adjustment expense reserve	(1,836,312)	1,436,764	(1,868,909)	1,531,208
Net claims incurred	(5,654,096)	(3,807,099)	(14,948,518)	(15,959,398)
Net underwriting income	4,575,787	7,109,615	15,982,652	18,421,618
Income from financial investments	3,197,511	3,243,456	10,580,554	10,368,932
Income from investments property - net	859,957	1,092,929	3,309,908	3,705,050
Foreign currency exchange gain	38,159	4,273	38,110	89,443
Other income	295,795	341,279	1,245,714	1,357,561
Total income	8,967,209	11,791,552	31,156,938	33,942,604
General and administrative expenses	(4,223,180)	(3,720,382)	(12,788,867)	(11,815,220)
Provision for expected credit loss	-	-	(625,177)	-
Other operating expenses	(517,490)	(808,873)	(1,321,224)	(2,455,094)
Profit for the period	4,226,539	7,262,297	16,421,670	19,672,290

**Notes to the condensed interim financial information
for the nine months period ended 30 September 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 nine months period ended 30 September 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.
- *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to 'Interest Rate Benchmark Reform – Phase 2, that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.*

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.

**Notes to the condensed interim financial information
for the nine months period ended 30 September 2020 (continued)****4. Summary of significant accounting policies (continued)****4.1 Basis of preparation (continued)**

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 nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 September 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 September 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 September 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 nine months period ended 30 September 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 September 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 September 2020 (31 December 2019: Level 3).

7. Investment in securities

Investment in securities comprises of the following:

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Investments at amortised cost (note 7a)	305,065,003	236,550,473
Investments at FVOCI (note 7b)	4,104,453	4,639,817
	309,169,456	241,190,290
7a. Investments at amortised cost		
	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Quoted bonds	308,273,502	237,119,127
Provision for expected credit loss	(3,208,499)	(568,654)
	305,065,003	236,550,473

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

7. Investment in securities (continued)

7a. Investments at amortised cost (continued)

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Inside UAE	170,921,531	136,924,572
Outside UAE	134,143,472	99,625,901
	305,065,003	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 September 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 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Quoted equity securities in the UAE	4,104,453	4,639,817

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

8. Insurance contract liabilities - Technical provisions

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Gross		
Insurance contract liabilities - Technical provisions:		
Unearned premium reserve	93,113,470	73,548,723
Claims under settlement reserve	115,715,208	76,169,686
Incurred but not reported reserve	15,950,296	11,803,221
Unallocated loss adjustment expense reserve	636,570	505,209
Unexpired risk reserve	547,793	84,467
Mathematical reserve	531,910,173	550,230,308
Total technical provisions – gross	757,873,510	712,341,614
Reinsurers' share of technical provisions:		
Unearned premium reserve	64,813,662	54,549,752
Claims under settlement reserve	109,297,928	70,753,251
Incurred but not reported reserve	12,084,595	8,581,651
Unexpired risk reserve	89,300	78,719
Total reinsurers' share of technical provisions	186,285,485	133,963,373
Net		
Unearned premium reserve	28,299,808	18,998,971
Claims under settlement reserve	6,417,280	5,416,435
Incurred but not reported reserve	3,865,701	3,221,570
Unallocated loss adjustment expense reserve	636,570	505,209
Unexpired risk reserve	458,493	5,748
Mathematical reserve	531,910,173	550,230,308
	571,588,025	578,378,241

9. Premium and insurance balances receivable

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from policyholders	58,399,204	50,681,891
Due from insurance or reinsurance companies	2,868,744	2,594,759
Due from brokers or agents	23,623,859	8,714,803
Less: Provision for expected credit loss	(2,316,497)	(2,316,497)
	82,575,310	59,674,956

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

9. Premium and insurance balances receivable (continued)

Within U.A.E.

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from policyholders	58,399,204	50,681,891
Due from insurance or reinsurance companies	1,688,633	1,446,738
Due from brokers or agents	23,623,859	8,714,803
Less: Provision for expected credit loss	(2,316,497)	(2,316,497)
	81,395,199	58,526,935

Outside U.A.E.

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from insurance or reinsurance companies	1,180,111	1,148,021

10. Other receivables and prepayments

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Receivable from employees	326,677	418,510
Refundable deposits	167,048	178,562
Prepayments	3,307,743	1,832,915
Others	21,184,006	15,582,763
Less: Provision for impairment	(1,119,081)	(1,119,081)
	23,866,393	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 ranging from 3% to 3.5% per annum (31 December 2019: 3% to 3.5% per annum).

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

12. Deposits

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Short term deposits with banks in the UAE	379,113,918	363,758,501
Accrued interest	6,521,711	4,692,286
Subtotal A (current portion)	385,635,629	368,450,787
Long term deposits with banks in the UAE	122,900,000	190,850,000
Accrued interest	6,107,778	8,705,782
Subtotal B (non-current portion)	129,007,778	199,555,782
Provision for expected credit loss (C)	(465,916)	(465,916)
Grand total (A+B+C)	514,177,491	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 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Cash on hand	87,850	900,196
Current accounts with banks	51,223,191	76,955,224
Provision for expected credit losses	(53,600)	(53,600)
	51,257,441	77,801,820

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

14. Share capital

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

15. Accounts payable

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Payables inside UAE	11,512,489	8,475,185
Payables outside UAE	52,836,976	33,462,495
Other payables (note 15.1)	20,478,245	18,415,423
	<u>84,827,710</u>	<u>60,353,103</u>
	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Within U.A.E.		
Insurance companies	3,914,584	2,874,542
Insurance brokers	7,597,905	5,600,643
Other payables	20,478,245	18,415,423
	<u>31,990,734</u>	<u>26,890,608</u>
	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Outside U.A.E.		
Insurance companies	1,230,230	219,680
Reinsurance companies	51,606,746	33,242,815
	<u>52,836,976</u>	<u>33,462,495</u>
	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
15.1 Other payables		
Provision for staff benefits	2,083,144	4,541,788
Rent received in advance	4,150,031	833,151
Accruals and provision	569,243	663,288
Other payables	13,675,827	12,377,196
	<u>20,478,245</u>	<u>18,415,423</u>

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

16. Insurance contract liabilities

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Maturity payable	14,201,456	15,501,098
Bonus and surrenders payable	6,515,109	7,337,720
Claims payable	452,357	1,248,999
Other insurance payables	41,554,102	39,573,960
	62,723,024	63,661,777

17. Basic and diluted earnings per share

	Three months period ended 30 September		Nine months period ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Profit for the period (AED)	9,722,248	12,915,965	34,513,298	37,739,266
Number of shares	1,000,000	1,000,000	1,000,000	1,000,000
Basic and diluted earnings per share (AED)	9.72	12.92	34.51	37.74

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 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from related parties	690,798	1,140,071

**Notes to the condensed interim financial information
for the nine months period ended 30 September 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 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED
Premiums	461,697	1,482,401	3,005,336	2,489,263
Claims paid	66,840	41,744	763,142	104,075

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

Compensation of key management personnel

	Three months period ended 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED
Key management personnel remuneration including benefits	467,988	501,331	1,424,459	1,395,395

19. Contingent liabilities

	30 September 2020	31 December 2019
	(unaudited)	(audited)
	AED	AED
Letters of guarantee	11,046,965	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 nine months period ended 30 September 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 September 2020 (unaudited) AED	31 December 2019 (audited) AED		
Quoted equity securities – FVOCI	4,104,453	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 nine months period ended 30 September 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 September 2019 AED	Reclassification AED	As reclassified at 30 September 2019 AED
Net change in unearned premium / unexpired risk reserves	(1,525,759)	(364,380)	(1,890,139)
Movement in outstanding claims, incurred but not reported claims reserve, and unallocated loss adjustment expense reserve	1,775,387	364,380	2,139,767

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 11 November 2020.