

Al Dhafra Insurance Company (P.S.C)

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2019 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF AL DHAFRA NATIONAL INSURANCE COMPANY P.S.C

Introduction

We have reviewed the accompanying interim condensed financial statements of Al Dhafra Insurance Company P.S.C (the "Company") as at 31 March 2019, comprising of the interim statement of financial position as at 31 March 2019 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

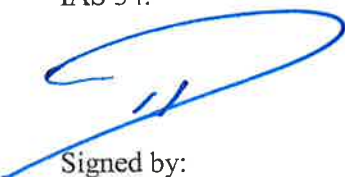
Other matter

The interim condensed financial statements of the Company for the three-month period ended 31 March 2018 were reviewed by another auditor who expressed an unmodified conclusion on these interim condensed financial statements on 13 May 2018.

The financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 14 February 2019.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by:
Raed Ahmad
Partner
Ernst & Young
Registration No 811

12 May 2019
Abu Dhabi

Al Dhafra Insurance Company P.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2019 (unaudited)

		31 March 2019 (Unaudited) AED	31 December 2018 (Audited) AED
	Notes		
ASSETS			
Property and equipment		1,224,470	1,164,938
Intangible assets		1,060,876	1,094,032
Right-of-use-assets	3	9,249,336	-
Investment properties		73,578,400	73,578,400
Statutory deposits	4	9,980,000	9,980,000
Deferred acquisition costs		17,360,612	16,974,659
Investments carried at fair value through other comprehensive income	5	197,182,920	184,350,390
Investments carried at fair value through profit or loss	6	89,205,033	89,660,167
Insurance balances receivable	7	111,496,898	99,655,968
Reinsurer's share of unearned premium reserve	8	115,034,024	109,448,851
Reinsurer's share of outstanding claims reserve	8	119,758,687	121,623,619
Reinsurer's share of claims incurred but not reported reserve	8	43,453,825	43,723,777
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	8	1,162,023	117,750
Prepayments and other receivables	7	17,834,808	7,541,755
Deposits	9	191,399,413	224,722,456
Bank balances and cash	9	16,050,995	17,046,449
TOTAL ASSETS		1,015,032,320	1,000,683,211
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		100,000,000	100,000,000
Legal reserve		50,000,000	50,000,000
General reserve		145,000,000	145,000,000
Investment revaluation reserve		3,229,488	(9,603,042)
Retained earnings		62,604,235	76,048,561
Total equity		360,833,723	361,445,519
LIABILITIES			
Employees' end of service benefits		7,677,203	7,548,873
Insurance payables	11	190,450,308	187,103,539
Other payables	11	19,146,567	22,586,692
Lease liabilities	3	8,745,750	-
Unearned commission income		30,503,845	27,979,873
Technical provisions			
Unearned premium reserve	8	159,444,720	154,623,506
Outstanding claims reserve	8	161,280,002	166,064,796
Claims incurred but not reported reserve	8	71,232,018	68,791,467
Unallocated loss adjustment expense reserve	8	4,556,161	4,421,196
Unexpired risk reserve (premium deficiency reserve)	8	1,162,023	117,750
TOTAL LIABILITIES		654,198,597	639,237,692
TOTAL EQUITY AND LIABILITIES		1,015,032,320	1,000,683,211

Assistant General Manager - Finance

General Manager

Chairman

The attached notes 1 to 17 form part of these interim condensed financial statements.



Al Dhafra Insurance Company P.S.C

INTERIM STATEMENT OF INCOME

For the period ended 31 March 2019 (unaudited)

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		<i>2019 (Unaudited) AED</i>	<i>2018 (Unaudited) AED</i>
Gross premiums written		86,580,817	98,772,082
Reinsurance premium ceded		(63,088,444)	(70,050,326)
Net premium		23,492,373	28,721,756
Net change in unearned premium reserve		<u>763,959</u>	<u>(3,793,641)</u>
Net premium earned		24,256,332	24,928,115
Commission earned		14,753,181	14,497,006
Commission incurred		(9,084,764)	(11,236,402)
Gross underwriting income		29,924,749	28,188,719
Gross claims paid		(47,924,747)	(58,490,776)
Reinsurance share of claims paid		<u>35,309,997</u>	<u>43,620,217</u>
Net claims paid		(12,614,750)	(14,870,559)
Change in gross outstanding claims reserve		4,784,794	20,305,681
Change in reinsurance share of outstanding claims reverse		(1,864,932)	(12,710,979)
Change in incurred but not reported claims reserve		(2,710,503)	1,952,784
Change in unallocated loss adjustment expense reserve		(134,965)	641,640
Change in unexpired risk reserve		<u>-</u>	<u>53,864</u>
Net claims incurred		(12,540,356)	(4,627,569)
Underwriting income		17,384,393	23,561,150
Other income relating to underwriting		148,262	133,105
General and administrative expenses relating to underwriting		<u>(656,080)</u>	<u>(623,101)</u>
Net Underwriting income		16,876,575	23,071,154
Income from investments	14	12,579,418	9,055,480
Income from investment properties (rental income)		583,617	805,887
Other income, net		<u>-</u>	<u>997,346</u>
Total income		30,039,610	33,929,867
General and administrative expenses		(7,399,090)	(8,414,543)
Other operating expenses		(1,047,548)	(9,314,302)
Finance cost	3	<u>(37,298)</u>	<u>-</u>
PROFIT FOR THE PERIOD		21,555,674	16,201,022
Basic and diluted earnings per share	13	<u>0.22</u>	<u>0.16</u>

The attached notes 1 to 17 form part of these interim condensed financial statements.

Al Dhafra Insurance Company P.S.C

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2019 (unaudited)

		<i>Three months ended</i>	
		<i>31 March</i>	
	<i>Note</i>	2019 (Unaudited) AED	2018 (Unaudited) AED
Profit for the period		21,555,674	16,201,022
Other comprehensive income (loss)			
<i>Items that will not be reclassified to statement of income:</i>			
Change in fair value relating to investments carried at fair value through other comprehensive income	5	<u>12,832,530</u>	<u>(2,640,618)</u>
Other comprehensive income (loss) for the period		<u>12,832,530</u>	<u>(2,640,618)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>34,388,204</u>	<u>13,560,404</u>

The attached notes 1 to 17 form part of these interim condensed financial statements.

Al Dhafra Insurance Company P.S.C

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2019 (unaudited)

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total equity AED
At 1 January 2018 (Audited)	100,000,000	50,000,000	145,000,000	(14,749,417)	56,865,583	337,116,166
Profit for the period	-	-	-	-	16,201,022	16,201,022
Other comprehensive loss for the period	-	-	-	(2,640,618)	-	(2,640,618)
Total comprehensive income for the period	-	-	-	(2,640,618)	16,201,022	13,560,404
Dividends declared and paid (note 12)	-	-	-	-	(35,000,000)	(35,000,000)
At 31 March 2018 (Unaudited)	<u>100,000,000</u>	<u>50,000,000</u>	<u>145,000,000</u>	<u>(17,390,035)</u>	<u>38,066,605</u>	<u>315,676,570</u>
At 1 January 2019 (Audited)	100,000,000	50,000,000	145,000,000	(9,603,042)	76,048,561	361,445,519
Profit for the period	-	-	-	-	21,555,674	21,555,674
Other comprehensive income for the period	-	-	-	12,832,530	-	12,832,530
Total comprehensive income for the period	-	-	-	12,832,530	21,555,674	34,388,204
Dividends declared and paid (note 12)	-	-	-	-	(35,000,000)	(35,000,000)
At 31 March 2019 (Unaudited)	<u>100,000,000</u>	<u>50,000,000</u>	<u>145,000,000</u>	<u>3,229,488</u>	<u>62,604,235</u>	<u>360,833,723</u>

The attached notes 1 to 17 form part of these interim condensed financial statements.

Al Dhafra Insurance Company (P.S.C)

INTERIM STATEMENT OF CASH FLOWS

For the period ended 31 March 2018 (unaudited)

		<i>Three month ended 31 March 2019 AED</i>	<i>Three months ended 31 March 2018 AED</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Profit for the period		21,555,674	16,201,022
Adjustments for:			
Unearned premiums reserve, net		(763,959)	3,793,641
Change in gross outstanding claims and claims incurred but not reported reserves		(1,165,005)	(33,658,001)
Change in reinsurance share of outstanding claims and claims incurred but not reported reserves		1,090,611	23,415,011
Allowance for impairment on insurance receivable		-	8,565,120
Change in fair value of investments carried at fair value through profit or loss	6	(1,932,947)	2,986,281
Loss (gain) on disposal of investments carried at fair value through profit or loss	14	47,181	(90,375)
Provision for employees end of service benefits		165,232	354,342
Depreciation of property and equipment and right-of-use asset		497,654	119,139
Amortisation of intangible assets		104,337	200,092
Write-off of intangible assets		1,667	-
Finance cost	3	37,298	-
Dividend income	14	(8,343,113)	(10,134,134)
Interest income	14	(2,347,025)	(1,942,319)
		8,947,605	9,809,819
Working capital changes:			
Insurance receivable, other receivables and prepayments		(22,632,157)	(20,136,585)
Insurance and other payables		(93,356)	(10,169,148)
Deferred acquisition costs		(385,953)	1,387,300
Unearned commission income		2,523,972	3,021,957
Cash used in operations		(11,639,889)	(16,086,657)
Employees' end of service benefits paid		(36,902)	(239,034)
Net cash used in operating activities		(11,676,791)	(16,325,691)
INVESTING ACTIVITIES			
Purchase of property and equipment		(206,852)	(26,049)
Purchase of intangible assets		(72,848)	(13,400)
Purchase of investments carried at fair value through profit or loss		-	(13,344,831)
Proceeds from disposal of investment carried at fair value through profit and loss		2,340,900	17,662,494
Movement in term deposits		33,323,043	43,462,314
Interest received	14	2,347,025	1,942,319
Dividends received	14	8,343,113	10,134,134
Net cash from investing activities		46,074,381	59,816,981
FINANCING ACTIVITIES			
Dividend paid	12	(35,000,000)	(35,000,000)
Right-of-use instalment paid		(393,044)	-
Net cash used in financing activities		(35,393,044)	(35,000,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(995,454)	8,491,290
Cash and cash equivalents at the beginning of the period		17,046,449	13,992,712
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	16,050,995	22,484,002

The attached notes 1 to 17 form part of these interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2019 (unaudited)

1 GENERAL INFORMATION

Al Dhafra Insurance Company P.S.C. (the “Company”), is a public shareholding company incorporated in Abu Dhabi by Emiri Decree No. 8 of 1979.

The Company’s ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company is engaged in insurance and reinsurance of all classes of business with the exception of endowments and annuities. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 319, Abu Dhabi, United Arab Emirates.

The accompanying interim condensed financial statements of the Company for the period ended 31 March 2019 have been authorised for issuance in accordance with a resolution of the Board of Directors on 12 May 2019.

2 BASIS OF PREPARATION

Statement of compliance

These interim condensed financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The interim condensed financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements as at 31 December 2018. In addition, the results for the three-months ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

The interim condensed financial statements have been prepared on the historical cost basis except for the investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income and investment properties.

The interim condensed financial statements are presented in United Arab Emirates Dirhams (“AED”), being the functional and presentation currency of the Company.

Use of estimates and judgement

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

In preparing these interim condensed financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the financial statements as at and for the year ended 31 December 2018.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2019 (unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2018, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

Annual improvements 2015-2017 cycle

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

The Company applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below. The other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed financial statements of the Company.

Impact on adoption of IFRS 16

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	<i>AED</i>
Assets	
Right-of-use assets	9,599,670
Prepayments	<u>(498,174)</u>
Total assets	<u>9,101,496</u>
Liabilities	
Lease liabilities	<u>9,101,496</u>
Total liabilities	<u>9,101,496</u>
Total adjustment on equity:	
Retained earnings	-
Non-controlling interests	-
	<u>-</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES continued

Nature of the effect of adoption of IFRS 16

The Company has various lease contracts, where prior to the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. The leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under 'trade and other receivables' and 'trade and other payables' respectively. Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018 (AED)	10,744,414
Incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments at 1 January 2019 (AED)	9,101,496
Adjustment of commitments relating to leases of low value assets (AED)	—
Lease liabilities as at 1 January 2019 (AED)	<u>9,101,496</u>

Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2019 (unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES continued**Summary of new accounting policies continued***Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the statement of financial position and statement of income

Set out below, are the carrying amounts of the Company's right-of-use asset and lease liabilities and the movements during the period:

	<i>Right-of-use (office units) AED</i>	<i>Lease liabilities AED</i>
As at 1 January 2019	9,599,670	9,101,496
Depreciation expense	(350,334)	-
Interest expense	-	37,298
Payments	-	(393,044)
As at 31 March 2019	<u>9,249,336</u>	<u>8,745,750</u>

Lease liabilities is analysed in the interim statement of financial position as follows:

	<i>31 March 2019 AED (Unaudited)</i>	<i>31 December 2018 AED (Audited)</i>
Current	2,341,388	-
Non-current	<u>6,404,362</u>	-
Total	<u>8,745,750</u>	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2019 (unaudited)

4 STATUTORY DEPOSITS

In accordance with the requirements of Federal Law No. (6) of 2007, concerning the formation of Insurance Authority of UAE, the Company maintains the below deposit which cannot be utilized without the consent of the UAE Insurance Authority.

5 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 March 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Quoted UAE equity securities	<u>197,182,920</u>	<u>184,350,390</u>

The movement in the investments at fair value through other comprehensive income is as follows:

	31 March 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Fair value at beginning of period / year	184,350,390	177,652,331
Additions	-	1,551,684
Change in fair value	<u>12,832,530</u>	<u>5,146,375</u>
Fair value at end of the period / year	<u>197,182,920</u>	<u>184,350,390</u>

6 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Quoted debt securities	61,544,882	62,942,404
Quoted equity securities	19,657,412	18,715,024
Unquoted equity security	<u>8,002,739</u>	<u>8,002,739</u>
	<u>89,205,033</u>	<u>89,660,167</u>

The movement in investments at fair value through profit or loss is as follows:

	31 March 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Fair value at beginning of period / year	89,660,167	92,469,307
Additions	-	20,630,704
Disposals	(2,388,081)	(24,893,599)
Transfer	-	8,002,739
Change in fair value (note 14)	<u>1,932,947</u>	<u>(6,548,984)</u>
Fair value at end of the period / year	<u>89,205,033</u>	<u>89,660,167</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2019 (unaudited)

7 INSURANCE RECEIVABLES AND PREPAYMENTS

	<i>31 March 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Due from policy holders	103,863,393	101,305,693
Due from policy holders - related parties (note 10)	1,090,378	549,162
Due from reinsurance companies	4,452,812	4,149,422
Due from insurance companies, broker and agents	<u>26,914,359</u>	<u>18,475,735</u>
	136,320,942	124,480,012
Less: allowance for impairment	<u>(24,824,044)</u>	<u>(24,824,044)</u>
Insurance balance receivable	<u>111,496,898</u>	<u>99,655,968</u>
Prepayments	1,767,958	1,757,917
Dividends receivables	6,740,381	-
Interest receivables	3,712,813	3,399,514
Other receivables	<u>5,613,656</u>	<u>2,384,324</u>
Prepayments and other receivables	<u>17,834,808</u>	<u>7,541,755</u>
	<u>129,331,706</u>	<u>107,197,723</u>

8 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	<i>31 March 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Insurance contract liabilities		
Outstanding claims reserve	161,280,002	166,064,796
Claims incurred but not reported reserve	71,232,018	68,791,467
Unearned premiums reserve	159,444,720	154,623,506
Unallocated loss adjustment expense reserve	4,556,161	4,421,196
Unexpired risk reserve (premium deficiency reserve)	<u>1,162,023</u>	<u>117,750</u>
	<u>397,674,924</u>	<u>394,018,715</u>
Reinsurance contract assets		
Outstanding claims reserve	119,758,687	121,623,619
Claims incurred but not reported reserve	43,453,825	43,723,777
Unearned premiums reserve	115,034,024	109,448,851
Unexpired risk reserve (premium deficiency reserve)	<u>1,162,023</u>	<u>117,750</u>
	<u>279,408,559</u>	<u>274,913,997</u>
Insurance liabilities - net		
Outstanding claims reserve	41,521,315	44,441,177
Claims incurred but not reported reserve	27,778,193	25,067,690
Unearned premiums reserve	44,410,696	45,174,655
Unallocated loss adjustment expense reserve	4,556,161	4,421,196
Unexpired risk reserve (premium deficiency reserve)	<u>-</u>	<u>-</u>
	<u>118,266,365</u>	<u>119,104,718</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

9 CASH AND CASH EQUIVALENTS

	31 March 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Cash on hand	18,065	15,317
Current accounts	16,032,930	17,031,132
Term deposits	<u>191,399,413</u>	<u>224,722,456</u>
Bank and cash balances	207,450,408	241,768,905
Less: term deposits with an original maturity of more than three months	<u>(191,399,413)</u>	<u>(224,722,456)</u>
Cash and cash equivalents	<u>16,050,995</u>	<u>17,046,449</u>

The interest rate on term deposits and current accounts with banks ranges between 0.55% and 4.10% (31 December 2018: 0.55% and 4.10%) per annum. All cash and cash equivalents are held in local banks in the United Arab Emirates.

10 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and the companies of which they are principal owners and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

	31 March 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Due from policyholders (note 7)	<u>1,090,378</u>	<u>549,162</u>

Transactions with related parties during the period are as follows

	31 March 2019 (Unaudited) AED	31 March 2018 (Unaudited) AED
Premiums written	<u>757,946</u>	<u>690,548</u>
Claims paid	<u>97,501</u>	<u>236,145</u>

Remuneration of key management personnel

	31 March 2019 (Unaudited) AED	31 March 2018 (Unaudited) AED
Short term benefits	587,430	587,430
Post-employment benefits	<u>28,333</u>	<u>27,019</u>
	<u>615,763</u>	<u>614,449</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2019 (unaudited)

11 INSURANCE AND OTHER PAYABLES

	31 March 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Due to policyholders	32,690,770	50,204,662
Due to insurance companies	54,542,377	53,586,074
Due to reinsurance companies	37,326,256	17,085,666
Premium reserve withheld	<u>65,890,905</u>	<u>66,227,137</u>
Insurance payables	<u>190,450,308</u>	<u>187,103,539</u>
Dividend payable	5,475,715	5,475,715
Fee payable to insurance authority	1,811,924	1,447,646
Deferred income	1,684,333	1,468,674
Remuneration of the Directors	-	3,000,000
Other payables	<u>10,174,595</u>	<u>11,194,657</u>
Other payables	<u>19,146,567</u>	<u>22,586,692</u>
	<u>209,596,875</u>	<u>209,690,231</u>

12 DIVIDENDS

On 19 March 2019, the shareholders at the Annual General Assembly approved cash dividends of 0.35 fils per share amounting to AED 35,000,000 (31 March 2018: AED 35,000,000).

13 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit for the period by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive instruments.

	Three months ended 31 March 2019	2018
Profit for the period (AED)	<u>21,555,674</u>	<u>16,201,022</u>
Weighted average number of ordinary shares outstanding during the period	<u>100,000,000</u>	<u>100,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.22</u>	<u>0.16</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2019 (unaudited)

14 INCOME FROM INVESTMENTS

	31 March 2019 (Unaudited) AED	31 March 2018 (Unaudited) AED
Dividends income	8,343,113	10,134,134
Interest income	2,347,025	1,942,319
Change in fair value of investments at fair value through profit or loss (note 6)	1,932,947	(2,986,281)
(Loss) gain on sale of investments at fair value through profit or loss	(47,181)	90,375
Other investment income (expenses)	3,514	(125,067)
	<u>12,579,418</u>	<u>9,055,480</u>

15 SEGMENT REPORTING

15.1 Segment revenue and results

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units are managed separately because they require different approach, technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis.

The following summary describes the two main business segments:

- Underwriting of general insurance business - incorporating all classes of general insurance such as fire, marine, motor, medical, general accident and miscellaneous.
- Investments - incorporating investments in marketable equity securities and investment funds, development bonds, term deposits with banks and investment properties and other securities.

Information regarding the Company's reportable segments is presented below:

	Three months ended 31 March (Unaudited)					
	2019			2018		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	103,857,970	11,735,415	115,593,385	116,291,045	13,234,851	129,525,896
Direct costs	(86,473,577)	(507,327)	(86,980,904)	(92,729,895)	(477,531)	(93,207,426)
Administrative expenses	(7,193,336)	-	(7,193,336)	(9,037,644)	-	(9,037,644)
Depreciation expense	(147,320)	-	(147,320)	(119,139)	-	(119,139)
Amortisation expense	(104,337)	-	(104,337)	(200,092)	-	(200,092)
Other expenses	(1,694,686)	-	(1,694,686)	(8,995,071)	-	(8,995,071)
Non-cash investment gains	-	1,934,947	1,934,947	-	(1,900,273)	(1,900,273)
Segment profit	8,244,714	13,163,035	21,407,749	5,209,204	10,857,047	16,066,251
Other income	-	-	147,925	-	-	134,771
Profit for the period	<u>8,244,714</u>	<u>13,163,035</u>	<u>21,555,674</u>	<u>5,209,204</u>	<u>10,857,047</u>	<u>16,201,022</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2019 (unaudited)

15 SEGMENT REPORTING continued

15.2 Segment assets and liabilities

	As at 31 March 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	437,576,988	561,404,338	998,981,326	401,345,349	582,291,413	983,636,762
Unallocated assets			<u>16,050,994</u>			<u>17,046,449</u>
Total assets			<u>1,015,032,320</u>			<u>1,000,683,211</u>
Segment liabilities	638,186,410	10,536,472	648,722,882	632,138,613	1,623,364	633,761,977
Unallocated liabilities			<u>5,475,715</u>			<u>5,475,715</u>
Total liabilities			<u>654,198,597</u>			<u>639,237,692</u>
Capital expenditure	<u>279,700</u>	<u>-</u>	<u>279,700</u>	<u>1,391,633</u>	<u>-</u>	<u>1,391,633</u>

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of accounts receivable, bank balances and cash and certain other assets. Financial liabilities consist of accounts payable and certain other liabilities.

The fair values of the financial assets and liabilities are not materially different from their carrying values.

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 March 2019:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investments at fair value through statement of comprehensive income	197,182,920	-	-	197,182,920
Investments at fair value through profit and loss	<u>81,202,294</u>	<u>-</u>	<u>8,002,739</u>	<u>89,205,033</u>
	<u>278,385,214</u>	<u>-</u>	<u>8,002,739</u>	<u>286,387,953</u>

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2018:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investments at fair value through statement of comprehensive income	184,350,390	-	-	184,350,390
Investments at fair value through profit and loss	<u>81,657,428</u>	<u>-</u>	<u>8,002,739</u>	<u>89,660,167</u>
	<u>266,007,818</u>	<u>-</u>	<u>8,002,739</u>	<u>274,010,557</u>

17 CONTINGENT LIABILITY

	31 March 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Bank guarantees	<u>18,252,187</u>	<u>18,252,187</u>