

# **Al Dhafra Insurance Company (P.S.C)**

## **BOARD OF DIRECTORS' REPORT AND INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2019 (UNAUDITED)**

# **Al Dhafra Insurance Company (P.S.C)**

## **BOARD OF DIRECTORS' REPORT**

**30 SEPTEMBER 2019 (UNAUDITED)**

## Al Dhafra Insurance Company P.S.C.

### The Board of Directors' Report

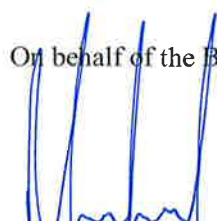
For the nine months period ended 30 September 2019

The Board of Directors takes pleasure in presenting the unaudited results for the nine months period ended 30 September 2019.

As noted below, profit for the period has increased by AED 2,532,816 as compared to the same period in the prior year.

<i>Particulars</i>	<i>9 months ended 30 September</i>	
	<i>2019</i> <i>(unaudited)</i> <i>AED</i>	<i>2018</i> <i>(unaudited)</i> <i>AED</i>
<b><u>Condensed statement of income</u></b>		
Gross written premium	247,909,151	257,409,957
Net underwriting income	68,714,998	81,216,150
General and administrative expenses	(26,192,835)	(35,436,619)
Income from investments and investment properties	23,133,597	17,163,318
Profit for the period	65,475,665	62,942,849
Basic and diluted earnings per share (AED)	0.65	0.63
	<i>30 September</i> <i>2019</i>  <i>(unaudited)</i> <i>AED</i>	<i>31 December</i> <i>2018</i>  <i>(audited)</i> <i>AED</i>
<b><u>Condensed statement of financial position</u></b>		
Shareholders' equity	397,114,654	361,445,519
Total assets	1,034,392,278	1,000,683,211

On behalf of the Board of Directors



Chairman  
Date



# **Al Dhafra Insurance Company (P.S.C)**

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2019 (UNAUDITED)**

**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS' OF AL DHAFRA 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 30 September 2019, comprising of the interim statement of financial position as at 30 September 2019 and the related interim statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim statements of changes in equity and cash flows for the nine-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.

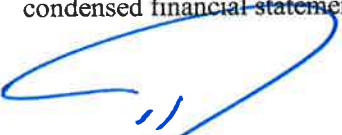
*Other matter*

The interim condensed financial statements of the Company for the nine-month period ended 30 September 2018 were reviewed by another auditor who expressed an unmodified conclusion on these interim condensed financial statements on 13 November 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

10 November 2019  
Abu Dhabi

# Al Dhafra Insurance Company P.S.C.

## INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2019 (unaudited)

		30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
	Notes		
<b>ASSETS</b>			
Property and equipment		1,259,052	1,164,938
Intangible assets		1,313,289	1,094,032
Right-of-use-assets	3	8,543,727	-
Investment properties		73,578,400	73,578,400
Statutory deposits	4	9,980,000	9,980,000
Deferred acquisition costs		16,012,712	16,974,659
Investments carried at fair value through other comprehensive income	5	189,543,860	184,350,390
Investments carried at fair value through profit or loss	6	44,151,248	89,660,167
Insurance balances receivable	7	129,998,253	99,655,968
Reinsurer's share of unearned premium reserve	8	103,114,700	109,448,851
Reinsurer's share of outstanding claims reserve	8	121,355,394	121,623,619
Reinsurer's share of claims incurred but not reported reserve	8	45,156,302	43,723,777
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	8	1,335,307	117,750
Prepayments and other receivables	7	11,413,539	7,541,755
Deposits	9	197,185,358	224,722,456
Bank balances and cash	9	80,451,137	17,046,449
<b>TOTAL ASSETS</b>		<b>1,034,392,278</b>	<b>1,000,683,211</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
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		(4,409,572)	(9,603,042)
Retained earnings		106,524,226	76,048,561
<b>Total equity</b>		<b>397,114,654</b>	<b>361,445,519</b>
<b>LIABILITIES</b>			
Employees' end of service benefits		7,781,013	7,548,873
Insurance payables	11	197,082,188	187,103,539
Other payables	11	17,438,789	22,586,692
Lease liabilities	3	7,900,387	-
Unearned commission income		27,957,285	27,979,873
Technical provisions			
Unearned premium reserve	8	144,891,618	154,623,506
Outstanding claims reserve	8	155,169,114	166,064,796
Claims incurred but not reported reserve	8	72,496,878	68,791,467
Unallocated loss adjustment expense reserve	8	4,502,443	4,421,196
Unexpired risk reserve (premium deficiency reserve)	8	2,057,909	117,750
<b>TOTAL LIABILITIES</b>		<b>637,277,624</b>	<b>639,237,692</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,034,392,278</b>	<b>1,000,683,211</b>

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 30 September 2019 (unaudited)

	<i>Notes</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2019 (Unaudited) AED</i>	<i>2018 (Unaudited) AED</i>	<i>2019 (Unaudited) AED</i>	<i>2018 (Unaudited) AED</i>
Gross premiums written		<b>84,910,553</b>	74,379,251	<b>247,909,151</b>	257,409,957
Reinsurance premium ceded		<b>(58,542,547)</b>	(51,384,373)	<b>(177,574,199)</b>	(179,216,391)
<b>Net premium</b>		<b>26,368,006</b>	22,994,878	<b>70,334,952</b>	78,193,566
Net change in unearned premium reserve		<b>(1,446,762)</b>	5,497,617	<b>2,675,135</b>	2,716,658
<b>Net premium earned</b>		<b>24,921,244</b>	28,492,495	<b>73,010,087</b>	80,910,224
Commission earned		<b>17,710,243</b>	19,044,929	<b>46,852,900</b>	49,959,907
Commission incurred		<b>(9,550,519)</b>	(10,652,081)	<b>(27,925,159)</b>	(32,664,578)
<b>Gross underwriting income</b>		<b>33,080,968</b>	36,885,343	<b>91,937,828</b>	98,205,553
Gross claims paid		<b>(34,447,901)</b>	(36,853,116)	<b>(127,054,615)</b>	(140,138,624)
Reinsurance share of claims paid		<b>27,318,400</b>	24,546,306	<b>96,121,806</b>	102,360,424
<b>Net claims paid</b>		<b>(7,129,501)</b>	(12,306,810)	<b>(30,932,809)</b>	(37,778,200)
Change in gross outstanding claims reserve		<b>(691,740)</b>	(3,053,706)	<b>10,895,682</b>	28,053,010
Change in reinsurance share of outstanding claims reverse		<b>4,280,693</b>	6,980,460	<b>(268,225)</b>	(10,210,938)
Change in net claims incurred but not reported reserve		<b>(286,129)</b>	4,651,624	<b>(2,272,886)</b>	3,851,215
Change in unallocated loss adjustment expense reserve		<b>(34,295)</b>	53,576	<b>(81,247)</b>	876,693
<b>Net claims incurred</b>		<b>(3,860,972)</b>	(3,674,856)	<b>(22,659,485)</b>	(15,208,220)
<b>Underwriting income</b>		<b>29,219,996</b>	33,210,487	<b>69,278,343</b>	82,997,333
Other income relating to underwriting		<b>373,885</b>	539,612	<b>1,538,123</b>	764,737
General and administrative expenses relating to underwriting		<b>(480,934)</b>	(842,830)	<b>(2,101,468)</b>	(2,545,920)
<b>Net underwriting income</b>		<b>29,112,947</b>	32,907,269	<b>68,714,998</b>	81,216,150
Income from investments	14	<b>4,494,150</b>	3,847,675	<b>21,350,093</b>	13,831,818
Income from investment properties (rental income)		<b>580,013</b>	735,480	<b>1,762,837</b>	2,300,117
Other income		<b>2,500</b>	2,277	<b>20,667</b>	1,031,383
<b>Total income</b>		<b>34,189,610</b>	37,492,701	<b>91,848,595</b>	98,379,468
General and administrative expenses		<b>(8,857,218)</b>	(8,737,008)	<b>(26,192,835)</b>	(35,436,619)
Finance cost	3	<b>(81,578)</b>	-	<b>(180,095)</b>	-
<b>PROFIT FOR THE PERIOD</b>		<b>25,250,814</b>	28,755,693	<b>65,475,665</b>	62,942,849
Basic and diluted earnings per share	13	<b>0.25</b>	0.29	<b>0.65</b>	0.63

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2019 (unaudited)

		<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2019 (Unaudited) AED</i>	<i>2018 (Unaudited) AED</i>	<i>2019 (Unaudited) AED</i>	<i>2018 (Unaudited) AED</i>
	<i>Note</i>				
<b>Profit for the period</b>		<b>25,250,814</b>	28,755,693	<b>65,475,665</b>	62,942,849
<b>Other comprehensive income</b>					
<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>482,606</u>	11,311,866	<u>5,193,470</u>	<u>7,564,140</u>
<b>Other comprehensive income for the period</b>		<u>482,606</u>	11,311,866	<u>5,193,470</u>	<u>7,564,140</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>25,733,420</u>	<u>40,067,559</u>	<u>70,669,135</u>	<u>70,506,989</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 30 September 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	-	-	-	-	62,942,849	62,942,849
Other comprehensive income for the period	-	-	-	7,564,140	-	7,564,140
Total comprehensive income for the period	-	-	-	7,564,140	62,942,849	70,506,989
Dividends declared and paid (note 12)	-	-	-	-	(35,000,000)	(35,000,000)
At 30 September 2018 (Unaudited)	<u>100,000,000</u>	<u>50,000,000</u>	<u>145,000,000</u>	<u>(7,185,277)</u>	<u>84,808,432</u>	<u>372,623,155</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	-	-	-	-	65,475,665	65,475,665
Other comprehensive income for the period	-	-	-	5,193,470	-	5,193,470
Total comprehensive income for the period	-	-	-	5,193,470	65,475,665	70,669,135
Dividends declared and paid (note 12)	-	-	-	-	(35,000,000)	(35,000,000)
At 30 September 2019 (Unaudited)	<u>100,000,000</u>	<u>50,000,000</u>	<u>145,000,000</u>	<u>(4,409,572)</u>	<u>106,524,226</u>	<u>397,114,654</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 30 September 2019 (unaudited)

	Notes	Nine month ended 30 September 2019 AED	Nine month ended 30 September 2018 AED
<b>OPERATING ACTIVITIES</b>			
Profit for the period		65,475,665	62,942,849
Adjustments for:			
Unearned premiums reserve, net		(2,675,135)	(2,716,658)
Change in gross outstanding claims and claims incurred but not reported reserves		(7,109,024)	(46,180,245)
Change in reinsurance share of outstanding claims and claims incurred but not reported reserves		(1,164,300)	23,610,265
Allowance for impairment on insurance receivable		-	8,905,658
Change in fair value of investments carried at fair value through profit or loss	6 & 14	(2,493,036)	3,991,993
(Gain) loss on disposal of investments carried at fair value through profit or loss	14	(518,573)	44,762
Provision for employees' end of service benefits		410,018	498,277
Depreciation of property and equipment and right-of-use asset		1,525,088	371,162
Amortisation of intangible assets		387,214	621,194
Gain on disposal of property and equipment		(20,667)	-
Finance cost	3	180,095	-
Dividend income	14	(10,484,884)	(11,669,616)
Interest income	14	(7,877,698)	(6,628,856)
		35,634,763	33,790,785
Working capital changes:			
Insurance receivable, other receivables and prepayments		(34,712,243)	(28,965,038)
Insurance and other payables		4,830,746	(1,081,511)
Deferred acquisition costs		961,947	3,760,555
Unearned commission income		(22,588)	(969,680)
Cash from operations		6,692,625	6,535,111
Employees' end of service benefits paid		(177,878)	(185,415)
Net cash from operating activities		6,514,747	6,349,696
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(563,259)	(235,065)
Purchase of intangible assets		(606,471)	(453,824)
Purchase of investments carried at fair value through profit or loss	6	-	(20,630,703)
Proceeds from disposal of investment carried at fair value through profit and loss		48,520,528	21,650,418
Purchase of investments carried at fair value through other comprehensive income		-	(678,608)
Proceeds from disposal of property and equipment		20,667	-
Movement in term deposits		27,537,098	11,987,300
Interest received		7,877,698	6,628,856
Dividends received		10,484,884	11,669,616
Net cash from investing activities		93,271,145	29,937,990
<b>FINANCING ACTIVITIES</b>			
Dividend paid	12	(35,000,000)	(35,000,000)
Right-of-use instalment paid	3	(1,381,204)	-
Net cash used in financing activities		(36,381,204)	(35,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		63,404,688	1,287,686
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	80,451,137	15,280,398

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

30 September 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 30 September 2019 have been authorised for issuance in accordance with a resolution of the Board of Directors on 10 November 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 nine-months ended 30 September 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, which have been measured at fair value.

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

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 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:

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

**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

30 September 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 interim 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>
<b>As at 1 January 2019</b>	<b>9,599,670</b>	<b>9,101,496</b>
Depreciation expense	(1,055,943)	-
Interest expense	-	180,095
Payments	-	(1,381,204)
<b>As at 30 September 2019</b>	<b><u>8,543,727</u></b>	<b><u>7,900,387</u></b>

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

	<i>30 September 2019 AED (Unaudited)</i>	<i>31 December 2018 AED (Audited)</i>
Current	2,323,199	-
Non-current	<u>5,577,188</u>	-
<b>Total</b>	<b><u>7,900,387</u></b>	<b>-</b>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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**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**

	<i>30 September 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Quoted UAE equity securities	<u>189,543,860</u>	<u>184,350,390</u>

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

	<i>30 September 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Fair value at beginning of period / year	184,350,390	177,652,331
Additions	-	1,551,684
Change in fair value	<u>5,193,470</u>	<u>5,146,375</u>
Fair value at end of the period / year	<u>189,543,860</u>	<u>184,350,390</u>

**6 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<i>30 September 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Quoted debt securities	16,484,295	62,942,404
Quoted equity securities	19,664,214	18,715,024
Unquoted equity security	<u>8,002,739</u>	<u>8,002,739</u>
	<u>44,151,248</u>	<u>89,660,167</u>

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

	<i>30 September 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Fair value at beginning of period / year	89,660,167	92,469,307
Additions	-	20,630,704
Disposals	(48,001,955)	(24,893,599)
Transfer	-	8,002,739
Change in fair value (note 14)	<u>2,493,036</u>	<u>(6,548,984)</u>
Fair value at end of the period / year	<u>44,151,248</u>	<u>89,660,167</u>

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7 INSURANCE RECEIVABLES AND PREPAYMENTS

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Due from policy holders	117,723,492	101,305,693
Due from policy holders - related parties (note 10)	835,774	549,162
Due from reinsurance companies	6,208,984	4,149,422
Due from insurance companies, broker and agents	<u>29,248,495</u>	<u>18,475,735</u>
	154,016,745	124,480,012
Less: allowance for impairment	<u>(24,018,492)</u>	<u>(24,824,044)</u>
Insurance balance receivable	<u>129,998,253</u>	<u>99,655,968</u>
Prepayments	1,447,616	1,757,917
Interest receivables	5,263,225	3,399,514
Other receivables	<u>4,702,698</u>	<u>2,384,324</u>
Prepayments and other receivables	<u>11,413,539</u>	<u>7,541,755</u>
	<u>141,411,792</u>	<u>107,197,723</u>

8 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
<b>Insurance contract liabilities</b>	<b>155,169,114</b>	<b>166,064,796</b>
Outstanding claims reserve	72,496,878	68,791,467
Claims incurred but not reported reserve	144,891,618	154,623,506
Unearned premiums reserve	4,502,443	4,421,196
Unallocated loss adjustment expense reserve	<u>2,057,909</u>	<u>117,750</u>
Unexpired risk reserve (premium deficiency reserve)	<u>379,117,962</u>	<u>394,018,715</u>
<b>Reinsurance contract assets</b>	<b>121,355,394</b>	<b>121,623,619</b>
Outstanding claims reserve	45,156,302	43,723,777
Claims incurred but not reported reserve	103,114,700	109,448,851
Unearned premiums reserve	<u>1,335,307</u>	<u>117,750</u>
Unexpired risk reserve (premium deficiency reserve)	<u>270,961,703</u>	<u>274,913,997</u>
<b>Insurance liabilities - net</b>	<b>33,813,720</b>	<b>44,441,177</b>
Outstanding claims reserve	27,340,576	25,067,690
Claims incurred but not reported reserve	41,776,918	45,174,655
Unearned premiums reserve	4,502,443	4,421,196
Unallocated loss adjustment expense reserve	<u>722,602</u>	<u>-</u>
Unexpired risk reserve (premium deficiency reserve)	<u>108,156,259</u>	<u>119,104,718</u>



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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9 CASH AND CASH EQUIVALENTS

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Cash on hand	18,666	15,317
Current accounts	80,432,471	17,031,132
Term deposits	<u>197,185,358</u>	<u>224,722,456</u>
Bank and cash balances	277,636,495	241,768,905
Less: term deposits with an original maturity of more than three months	<u>(197,185,358)</u>	<u>(224,722,456)</u>
Cash and cash equivalents	<u>80,451,137</u>	<u>17,046,449</u>

Interest rate on term deposits ranges between 2.95% and 4.10% (31 December 2018: 2.10% 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.

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Due from policyholders (note 7)	<u>835,774</u>	<u>549,162</u>

Transactions with related parties during the period are as follows:

	30 September 2019 (Unaudited) AED	30 September 2018 (Unaudited) AED
Premiums written	<u>1,327,260</u>	<u>1,378,045</u>
Claims paid	<u>1,239,888</u>	<u>487,948</u>

Remuneration of key management personnel

	30 September 2019 (Unaudited) AED	30 September 2018 (Unaudited) AED
Short term benefits	1,762,290	1,762,290
Post-employment benefits	<u>85,629</u>	<u>81,960</u>
	<u>1,847,919</u>	<u>1,844,250</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2019 (unaudited)

11 INSURANCE AND OTHER PAYABLES

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Due to policyholders	55,265,978	50,204,662
Due to insurance companies	58,120,075	53,586,074
Due to reinsurance companies	22,691,040	17,085,666
Premium reserve withheld	<u>61,005,095</u>	<u>66,227,137</u>
Insurance payables	<u>197,082,188</u>	<u>187,103,539</u>
Dividend payable	5,475,715	5,475,715
Fee payable to insurance authority	1,045,872	1,447,646
Deferred income	1,389,858	1,468,674
Remuneration of the Directors	-	3,000,000
Other payables	<u>9,527,344</u>	<u>11,194,657</u>
Other payables	<u>17,438,789</u>	<u>22,586,692</u>
	<u>214,520,977</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 (30 September 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 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Profit for the period (AED)	<u>25,250,814</u>	<u>28,755,693</u>	<u>65,475,665</u>	<u>62,942,849</u>
Weighted average number of ordinary shares outstanding during the period	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.25</u>	<u>0.29</u>	<u>0.65</u>	<u>0.63</u>

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2019 (unaudited)

## 14 INCOME FROM INVESTMENTS

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Dividends income	1,117,128	889,892	10,484,884	11,669,616
Interest income	3,102,427	2,804,466	7,877,698	6,628,856
Change in fair value of investments carried at fair value through profit or loss (note 6)	218,229	815,460	2,493,036	(3,991,993)
Gain (loss) on sale of investments carried at fair value through profit or loss	509,733	(8,186)	518,573	(44,762)
Other investment loss	<u>(453,367)</u>	<u>(653,957)</u>	<u>(24,098)</u>	<u>(429,899)</u>
	<u>4,494,150</u>	<u>3,847,675</u>	<u>21,350,093</u>	<u>13,831,818</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:

	<i>Nine months ended 30 September (Unaudited)</i>					
	<i>2019</i>			<i>2018</i>		
	<i>Underwriting</i>	<i>Investments</i>	<i>Total</i>	<i>Underwriting</i>	<i>Investments</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Direct revenues	294,739,463	21,204,035	315,943,498	306,400,184	21,015,356	327,415,540
Direct costs	(225,461,120)	(584,141)	(226,045,261)	(223,402,851)	(891,428)	(224,294,279)
Other underwriting income	1,538,123	-	1,538,123	764,737	-	764,737
Other underwriting expenses	(2,101,468)	-	(2,101,468)	(2,545,920)	-	(2,545,920)
Non-cash investment gain (loss)	-	2,493,036	2,493,036	-	(3,991,993)	(3,991,993)
Segment profit	<u>68,714,998</u>	<u>23,112,930</u>	<u>91,827,928</u>	<u>81,216,150</u>	<u>16,131,935</u>	<u>97,348,085</u>
General and administrative expenses			(26,192,835)			(35,436,619)
Finance cost			(180,095)			-
Other income			<u>20,667</u>			<u>1,031,383</u>
Profit for the period			<u>65,475,665</u>			<u>62,942,849</u>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2019 (unaudited)

## 15 SEGMENT REPORTING continued

## 15.1 Segment revenue and results continued

	Three months ended 30 September (Unaudited)			2018		
	2019			2018		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	101,403,126	5,064,225	106,467,351	90,014,067	4,150,143	94,164,210
Direct costs	(72,183,130)	(208,291)	(72,391,421)	(56,803,580)	(382,448)	(57,186,028)
Other underwriting income	373,885	-	373,885	539,612	-	539,612
Other underwriting expenses	(480,934)	-	(480,934)	(842,830)	-	(842,830)
Non-cash investment gain (loss)	-	218,229	218,229	-	815,460	815,460
Segment profit	<u>29,112,947</u>	<u>5,074,163</u>	<u>34,187,110</u>	<u>32,907,269</u>	<u>4,583,155</u>	<u>37,490,424</u>
General and administrative expenses			(8,857,218)			(8,737,008)
Finance cost			(81,578)			-
Other income			2,500			2,277
Profit for the period			<u>25,250,814</u>			<u>28,755,693</u>

## 15.2 Segment assets and liabilities

	As 30 September 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	519,953,867	433,987,272	953,941,139	401,345,349	582,291,413	983,636,762
Unallocated assets			80,451,139			17,046,449
Total assets			<u>1,034,392,278</u>			<u>1,000,683,211</u>
Segment liabilities	622,357,973	9,443,936	631,801,909	632,138,613	1,623,364	633,761,977
Unallocated liabilities			5,475,715			5,475,715
Total liabilities			<u>637,277,624</u>			<u>639,237,692</u>
Capital expenditure	<u>1,162,730</u>	-	<u>1,162,730</u>	<u>1,391,633</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 30 September 2019:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investments carried at fair value through other comprehensive income	189,543,860	-	-	189,543,860
Investments carried at fair value through profit or loss	<u>36,148,509</u>	-	<u>8,002,739</u>	<u>44,151,248</u>
	<u>225,692,369</u>	-	<u>8,002,739</u>	<u>233,695,108</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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**16 FAIR VALUE OF FINANCIAL INSTRUMENTS** continued

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:

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total AED</i>
Investments carried at fair value through other comprehensive income	184,350,390	-	-	184,350,390
Investments carried at fair value through profit or 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**

	<i>30 September 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Bank guarantees	<u>18,739,004</u>	<u>18,252,187</u>