

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

Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2020

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2020

Table of contents

	Page
Board of Director's report	1
Review report on the condensed interim financial statements	2
Condensed interim statement of financial position	3
Condensed interim statement of comprehensive income	4 – 5
Condensed interim statement of changes in equity	6
Condensed interim statement of cash flows	7
Notes to the condensed interim financial statements	8 – 19

The Board of Directors' Report
For the nine months period ended 30 September 2020

The Board of Directors takes pleasure in presenting the unaudited results for the nine months period ended 30 September 2020.

Particulars	Nine months period ended 30 September	
	2020 (Unaudited) AED	2019 (Unaudited) AED
Condensed interim statement of comprehensive income		
Gross premiums written	231,138,506	247,909,151
Reinsurance premium ceded	(173,049,109)	(177,574,199)
Net underwriting income	56,952,155	68,714,998
Income from investment properties (rental income)	1,631,607	1,762,837
General and administrative expenses	(23,290,452)	(26,192,835)
Profit for the period	45,580,825	65,475,665
Basic and diluted earnings per share	0.46	0.65
Condensed interim statement of financial position		
Shareholders' equity	365,877,349	391,473,146
Total assets	973,576,068	1,024,481,175

On behalf of the Board of Directors

Board member

Date: 11 November 2020

Grant Thornton
United Arab Emirates
Al Kamala Tower
Office No. 1101, Level 11
Zayed 1st Street, Khalidiya
P.O. Box 41255
Abu Dhabi

T +971 2 666 9750
F +971 2 666 9816

[linkd.in/grant-thornton-uae](https://www.linkedin.com/company/grant-thornton-uae)
twitter.com/gtuae

Review report on the condensed interim financial statements
To the Shareholders of Al Dhafra Insurance Company (P.S.C.)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Al Dhafra Insurance Company P.S.C. (the "Company") as at 30 September 2020 and the related condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows for the nine months period then ended and other related explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim 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.

Conclusion

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

Other matter

The condensed interim financial statements as at and for the nine months period ended 30 September 2019 were reviewed by another auditor, who expressed an unmodified review conclusion dated 10 November 2019.

The financial statements as at and for the year ended 31 December 2019 were audited by another auditor, who expressed an unmodified opinion on those statements on 17 February 2020.



GRANT THORNTON
Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
Date: 11 November 2020



Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Condensed interim statement of financial position
As at 30 September 2020

		30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
	Notes		
ASSETS			
Property and equipment		1,704,365	1,985,244
Intangible assets		3,988,524	1,253,615
Right-of-use-assets		6,099,291	8,101,123
Investment properties		65,812,225	65,812,225
Statutory deposits	4	9,980,000	9,980,000
Investments carried at fair value through other comprehensive income	5	156,325,794	190,053,996
Investments carried at fair value through profit and loss	6	37,474,815	43,826,999
Insurance balances receivable	7	122,099,753	116,875,552
Deferred acquisitions costs		15,106,265	15,510,242
Reinsurer's share of unearned premium reserve	8	96,806,410	98,900,552
Reinsurer's share of outstanding claims reserves	8	141,390,465	130,648,879
Reinsurer's share of claims incurred but not reported reserve	8	43,923,341	37,391,660
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	8	-	591,565
Prepayments and other receivables	7	7,605,529	6,110,522
Deposits	9	192,599,754	104,367,554
Cash and cash equivalents	9	72,659,537	193,071,447
TOTAL ASSETS		973,576,068	1,024,481,175
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		(34,927,566)	(5,276,307)
Retained earnings		105,804,915	101,749,453
TOTAL EQUITY		365,877,349	391,473,146
LIABILITIES			
Employees' end of service benefits		8,222,839	7,915,825
Lease liabilities		5,729,729	7,669,571
Insurance payables	11	172,492,846	193,864,669
Other payables	11	17,326,339	29,988,056
Unearned commission income		23,241,449	24,739,994
Technical provisions			
Unearned premium reserve	8	134,544,582	138,792,481
Outstanding claims reserve	8	171,811,126	161,984,266
Claims incurred but not reported reserve	8	68,628,788	61,124,793
Unallocated loss adjustment expense reserve	8	4,636,031	4,263,508
Unexpired risk reserve (premium deficiency reserve)	8	1,064,990	2,664,866
TOTAL LIABILITIES		607,698,719	633,008,029
TOTAL EQUITY AND LIABILITIES		973,576,068	1,024,481,175

These condensed interim financial statements were approved by the Board of Directors on 11 November 2020 and signed on their behalf by:

Assistant General Manager - Finance

General Manager

Board member

The accompanying notes from 1 to 17 form an integral part of these condensed interim financial statements.



Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Condensed interim statement of comprehensive income
For the nine months period ended 30 September 2020

	Notes	Three months period ended 30 September		Nine months period ended 30 September	
		2020 (Unaudited) AED	2019 (Unaudited) AED	2020 (Unaudited) AED	2019 (Unaudited) AED
Gross premiums written		65,701,352	84,910,553	231,138,506	247,909,151
Reinsurance premium ceded		(45,129,278)	(58,542,547)	(173,049,109)	(177,574,199)
Net premium		20,572,074	26,368,006	58,089,397	70,334,952
Net change in unearned premium		(3,123,846)	(878,143)	2,153,757	3,397,737
Net premium earned		17,448,228	25,489,863	60,243,154	73,732,689
Commission earned		11,969,403	17,710,243	42,998,750	46,852,900
Commission incurred		(8,569,378)	(9,550,519)	(26,126,990)	(27,925,159)
Gross underwriting income		20,848,253	33,649,587	77,114,914	92,660,430
Gross claims paid		(40,735,834)	(34,447,901)	(110,727,948)	(127,054,615)
Reinsurance share of claims paid		34,394,341	27,318,400	89,668,818	96,121,806
Net claims paid		(6,341,493)	(7,129,501)	(21,059,130)	(30,932,809)
Change in gross outstanding claims reserve		7,668,986	(691,740)	(9,826,860)	10,895,682
Change in reinsurer's share of outstanding claims reserve		(6,294,800)	4,280,693	10,741,586	(268,225)
Change in claims incurred but not reported reserve, net		759,281	(286,129)	(972,314)	(2,272,886)
Change in unexpired risk reserve – net		(11,527)	(568,619)	1,008,311	(722,602)
Change in unallocated loss adjustment expense reserve		289,104	(34,295)	(372,523)	(81,247)
Net claims incurred		(3,930,449)	(4,429,591)	(20,480,930)	(23,382,087)
Underwriting income		16,917,804	29,219,996	56,633,984	69,278,343
Other income relating to underwriting		682,485	373,885	2,999,275	1,538,123
General and administrative expenses relating to underwriting		(835,518)	(480,934)	(2,681,104)	(2,101,468)
Net underwriting income		16,764,771	29,112,947	56,952,155	68,714,998
Income from investments	14	3,635,796	4,494,150	10,474,746	21,350,093
Income from investment properties (rental income)		482,085	580,013	1,631,607	1,762,837
Other income, net		-	2,500	10,133	20,667
Total income		20,882,652	34,189,610	69,068,641	91,848,595
General and administrative expenses		(7,677,871)	(8,857,218)	(23,290,452)	(26,192,835)
Finance cost		(45,015)	(81,578)	(197,364)	(180,095)
PROFIT FOR THE PERIOD		13,159,766	25,250,814	45,580,825	65,475,665
Basic and diluted earnings per share	13	0.13	0.25	0.46	0.65

The accompanying notes from 1 to 17 form an integral part of these condensed interim financial statements.

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Condensed interim statement of comprehensive income
For the nine months period ended 30 September 2020

	Three months period ended 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	(Unaudited) AED	(Unaudited) AED	(Unaudited) AED	(Unaudited) AED
Profit for the period	13,159,766	25,250,814	45,580,825	65,475,665
Other comprehensive income/ (loss)				
<i>Items that will not be reclassified to statement of income:</i>				
Gain on sale of investments carried at fair value through other comprehensive income	-	-	209,120	-
Change in fair value relating to investments carried at fair value through other comprehensive income	12,855,070	482,606	(31,385,742)	5,193,470
Other comprehensive income/ (loss) for the period	12,855,070	482,606	(31,176,622)	5,193,470
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	26,014,836	25,733,420	14,404,203	70,669,135

The accompanying notes from 1 to 17 form an integral part of these condensed interim financial statements.

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Condensed interim statement of changes in equity
For the nine months period ended 30 September 2020

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total equity AED
Balance as at 1 January 2019 (Audited)	100,000,000	50,000,000	145,000,000	(9,603,042)	76,048,561	361,445,519
Net 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	-	-	-	-	(35,000,000)	(35,000,000)
Balance as at 30 September 2019 (Unaudited)	100,000,000	50,000,000	145,000,000	(4,409,572)	106,524,226	397,114,654
Balance as at 1 January 2020 (Audited)	100,000,000	50,000,000	145,000,000	(5,276,307)	101,749,453	391,473,146
Net profit for the period	-	-	-	-	45,580,825	45,580,825
Other comprehensive loss for the period	-	-	-	(31,176,622)	-	(31,176,622)
Total comprehensive income for the period	-	-	-	(31,176,622)	45,580,825	14,404,203
Dividends declared and paid	-	-	-	-	(40,000,000)	(40,000,000)
Transfer of cumulative unrealised loss to retained earnings on disposal of investments carried at FVOCI	-	-	-	1,525,363	(1,525,363)	-
Balance as at 30 September 2020 (Unaudited)	100,000,000	50,000,000	145,000,000	(34,927,566)	105,804,915	365,877,349

The accompanying notes from 1 to 17 form an integral part of these condensed interim financial statements.

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Condensed interim statement of cash flows
For the nine months period ended 30 September 2020

	Notes	Nine months period ended 30 September 2020 AED	Nine months period ended 30 September 2019 AED
OPERATING ACTIVITIES			
Profit for the period		45,580,825	65,475,665
Adjustments for:			
Unearned premium and unexpired risk reserve, net		(3,162,068)	(2,675,135)
Change in gross outstanding claims and claims incurred but not reported reserves		17,703,378	(7,109,024)
Change in reinsurance share of outstanding claims and claims incurred but not reported reserves		(17,273,267)	(1,164,300)
Reversal for impairment on insurance receivable		(62,805)	-
Change in fair value of investments carried at fair value through profit or loss	6, 14	4,810,569	(2,493,036)
Gain on disposal of investments carried at fair value through profit or loss	14	(137,625)	(518,573)
Provision for employees' end of service benefits		405,846	410,018
Depreciation of property and equipment and right-of-use asset		1,341,468	1,525,088
Amortisation of intangible assets		595,926	387,214
Finance cost		197,364	180,095
Gain on termination of lease contract		(43,392)	-
Gain on disposal of property and equipment		(10,133)	(20,667)
Dividend income	14	(9,535,372)	(10,484,884)
Interest income	14	(5,612,318)	(7,877,698)
		<u>34,798,396</u>	<u>35,634,763</u>
Working capital changes:			
Insurance receivable, other receivables and prepayments		(6,060,983)	(3,712,244)
Insurance and other payables		(34,033,540)	4,830,746
Deferred acquisition costs		403,977	961,947
Unearned commission income		<u>(1,498,545)</u>	<u>(22,588)</u>
Cash (used in)/ generated from operations		(6,390,695)	6,692,624
Employees' end of service benefits paid		<u>(98,832)</u>	<u>(177,877)</u>
Net cash (used in)/ generated from operating activities		<u>(6,489,527)</u>	<u>6,514,747</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(314,308)	(563,259)
Proceeds from disposal of property and equipment		10,133	20,667
Purchase of intangible assets		(3,330,835)	(606,471)
Proceeds from disposal of investment carried at fair value through profit and loss		1,679,240	48,520,528
Proceeds from disposal of investment carried at fair value through other comprehensive income		2,551,580	-
Movement in term deposits		(88,232,200)	27,537,098
Interest received		5,016,898	7,877,698
Dividends received		9,535,372	10,484,884
Net cash (used in)/ generated from investing activities		<u>(73,084,120)</u>	<u>93,271,145</u>
FINANCING ACTIVITIES			
Dividends paid	12	(40,000,000)	(35,000,000)
Lease liability instalment paid		(838,263)	(1,381,204)
Net cash used in financing activities		<u>(40,838,263)</u>	<u>(36,381,204)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(120,411,910)	63,404,688
Cash and cash equivalents at the beginning of the period		193,071,447	17,046,449
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	<u>72,659,537</u>	<u>80,451,137</u>

The accompanying notes from 1 to 17 form an integral part of these condensed interim financial statements.

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements
For the nine months period ended 30 September 2020

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 condensed interim financial statements of the Company for the nine months period ended 30 September 2020 have been authorised for issuance in accordance with a resolution of the Board of Directors on 11 November 2020.

2 BASIS OF PREPARATION

Statement of compliance

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

The condensed interim 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 2019. In addition, the 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.

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

Use of estimates and judgements

The preparation of these condensed interim 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 condensed interim 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 2019.

However, the Company has reviewed the key sources of estimation uncertainties disclosed in the recent annual audited financial statements against the backdrop of Covid-19 pandemic. Management believes that all sources of estimation uncertainty remain similar to those disclosed in the recent annual audited financial statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

2 BASIS OF PREPARATION (continued)

Impact of COVID-19

In response to the spread of the Covid-19 where the Company operates and its resulting disruptions to the social and economic activities in those markets, the Company management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creating of a business contingency plan, to ensure the health and safety of its employees, customers and wider community as well as to ensure the continuity of its services throughout the market. The business operations of the Company currently remain largely unaffected. Based on these factors, the Company management believes that the Covid-19 pandemic has had no material effects on the reported condensed interim financial statements as at and for the nine months period ended 30 September 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

Standards, interpretations and amendments to existing standards that are effective in 2020

The accounting policies adopted in the preparation of the condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2019, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- 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;
- IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments (*Amendments regarding pre-replacement issues in the context of the IBOR reform*);
- Amendments to IFRS 16 regarding Covid-19 related rent concession.

These amendments do not have a significant impact on these condensed interim financial statements and therefore the disclosures have not been made.

Standards and interpretations in issue but not yet effective

The Company has not early adopted new and revised IFRSs that have been issued but are not yet effective.

Effective for annual periods beginning on or after 1 January 2022

- Amendments to IAS 1 to address classification of liabilities as current or non-current providing a more general approach based on the contractual arrangements in place at the reporting date
- Amendments to IAS 16 'Property, Plant and Equipment' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management
- Amendment to IAS 37 amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous
- Amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements
- Annual improvements to IFRS Standards 2018-2020

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations in issue but not yet effective (continued)

Effective for annual periods beginning on or after 1 January 2023

- IFRS 17 'Insurance Contracts' which requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.
- Amendment to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 'Insurance Contracts' was published in 2017.

Effective date deferred indefinitely. Adoption is still permitted.

- Amendment to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures (2011)' relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments is currently being assessed by the management.

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

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.

	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Statutory deposit	10,000,000	10,000,000
Expected credit losses	(20,000)	(20,000)
	<u>9,980,000</u>	<u>9,980,000</u>

5 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Quoted UAE equity securities	<u>156,325,794</u>	<u>190,053,996</u>

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

	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Fair value at beginning of period / year	190,053,996	184,350,390
Additions	-	5,124,729
Disposals	(2,342,460)	(4,543,227)
Change in fair value	(31,385,742)	5,122,104
Fair value at end of the period / year	<u>156,325,794</u>	<u>190,053,996</u>

6 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Quoted debt securities	16,344,724	16,674,536
Quoted UAE equity securities	14,301,355	19,149,724
Unquoted equity security	6,828,736	8,002,739
	<u>37,474,815</u>	<u>43,826,999</u>

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

6 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Fair value at beginning of period / year	43,826,999	89,660,167
Additions	-	591,966
Disposals	(1,541,615)	(47,520,147)
Change in fair value (note 14)	(4,810,569)	1,095,013
Fair value at end of the period / year	<u>37,474,815</u>	<u>43,826,999</u>

7 INSURANCE BALANCES RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Due from policy holders	105,971,354	108,655,872
Due from policy holders - related parties (note 10)	1,126,773	137,393
Due from reinsurance companies	6,295,681	5,678,701
Due from insurance companies, broker and agents	<u>32,569,140</u>	<u>26,329,586</u>
	145,962,948	140,801,552
Less: allowance for impairment	<u>(23,863,195)</u>	<u>(23,926,000)</u>
Insurance balance receivable	122,099,753	116,875,552
Prepayments	1,391,252	1,170,645
Interest receivables	2,954,888	2,359,468
Other receivables	<u>3,259,389</u>	<u>2,580,409</u>
Prepayments and other receivables	7,605,529	6,110,522
	<u>129,705,282</u>	<u>122,986,074</u>

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

8 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS		
	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Insurance contract liabilities		
Outstanding claims reserve	171,811,126	161,984,266
Claims incurred but not reported reserve	68,628,788	61,124,793
Unearned premiums reserve	134,544,582	138,792,481
Unallocated loss adjustment expense reserve	4,636,031	4,263,508
Unexpired risk reserve (premium deficiency reserve)	1,064,990	2,664,866
	380,685,517	368,829,914
Reinsurance contract assets		
Outstanding claims reserve	141,390,465	130,648,879
Claims incurred but not reported reserve	43,923,341	37,391,660
Unearned premiums reserve	96,806,410	98,900,552
Unexpired risk reserve (premium deficiency reserve)	-	591,565
	282,120,216	267,532,656
Insurance liabilities – net		
Outstanding claims reserve	30,420,661	31,335,387
Claims incurred but not reported reserve	24,705,447	23,733,133
Unearned premiums reserve	37,738,172	39,891,929
Unallocated loss adjustment expense reserve	4,636,031	4,263,508
Unexpired risk reserve (premium deficiency reserve)	1,064,990	2,073,301
	98,565,301	101,297,258
9 CASH AND CASH EQUIVALENTS		
	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Cash on hand	166,876	176,961
Current accounts	66,325,952	192,894,486
Term deposits*	198,766,463	104,367,554
Bank balances and cash	265,259,291	297,439,001
Less: term deposits with an original maturity of more than three months	(192,599,754)	(104,367,554)
Cash and cash equivalents	72,659,537	193,071,447

*Term deposits are stated net of expected credit losses amounting to AED 392,227 as at 30 September 2020 (2019: AED 392,220).

The interest rate on term deposits and current accounts with banks ranges between 0.50% and 3.30% (31 December 2019: 0.55% and 4.10%) per annum. All bank balances are held in local banks in the United Arab Emirates.

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

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 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Due from policyholders (note 7)	1,126,773	137,393

Transactions with related parties during the period are as follows

	30 September 2020 (Unaudited) AED	30 September 2019 (Unaudited) AED
Gross premiums written	1,285,574	1,327,260
Claims paid	652,621	1,239,888
Remuneration of key management personnel		
	30 September 2020 (Unaudited) AED	30 September 2019 (Unaudited) AED
Short term benefits	1,761,984	1,762,290
Post-employment benefits	86,210	85,629
	1,848,194	1,847,919

11 INSURANCE AND OTHER PAYABLES

	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Due to policy holders	48,800,943	57,193,698
Due to insurance companies	54,029,510	56,900,548
Due to reinsurance companies	14,900,820	21,819,973
Premium reserve withheld	54,761,573	57,950,450
Insurance payables	172,492,846	193,864,669

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

11 INSURANCE AND OTHER PAYABLES (CONTINUED)

	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Dividend payable	5,476,460	5,475,715
Fee payable to insurance authority	928,440	1,385,998
Deferred income	1,102,467	1,351,767
Remuneration of the Directors	-	4,500,000
Other payables	9,818,972	17,274,576
	<u>17,326,339</u>	<u>29,988,056</u>
Other payables	<u>17,326,339</u>	<u>29,988,056</u>
	<u>189,819,185</u>	<u>223,852,725</u>

12 DIVIDENDS

On 17 March 2020, the shareholders at the Annual General Assembly approved cash dividends of 0.40 fils per share amounting to AED 40,000,000 (30 September 2019: 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 period ended 30 September 2020 AED		2019 AED		Nine months period ended 30 September 2020 AED		2019 AED	
Profit for the period (AED)	13,159,766	25,250,814	45,580,825	65,475,665				
Weighted average number of ordinary shares outstanding during the period	100,000,000	100,000,000	100,000,000	100,000,000				
Basic and diluted earnings per share (AED)	0.13	0.25	0.46	0.65				

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

14 INCOME FROM INVESTMENTS

	Three months period ended		Nine months period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	(Unaudited) AED	(Unaudited) AED	(Unaudited) AED	(Unaudited) AED
Dividend income	871,237	1,117,128	9,535,372	10,484,884
Interest income	1,679,456	3,102,427	5,612,318	7,877,698
Change in fair value of investments at fair value through profit or loss (note 6)	1,085,103	218,229	(4,810,569)	2,493,036
Gain on sale of investments at fair value through profit or loss	-	509,733	137,625	518,573
Other investment income/(expenses)	-	(453,367)	-	(24,098)
	3,635,796	4,494,150	10,474,746	21,350,093

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:

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

15 SEGMENT REPORTING (continued)

15.1 Segment revenue and results (continued)

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

	Nine months period ended 30 September (Unaudited)					
	2020			2019		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	274,137,256	17,422,703	291,559,959	294,762,051	21,204,035	315,966,086
Direct costs	(217,503,272)	(505,781)	(218,009,053)	(225,483,708)	(584,141)	(226,067,849)
Other underwriting income	2,999,275	-	2,999,275	1,538,123	-	1,538,123
Other underwriting expenses	(2,681,104)	-	(2,681,104)	(2,101,468)	-	(2,101,468)
Non-cash investment (loss)/gain	-	(4,810,569)	(4,810,569)	-	2,493,036	2,493,036
Segment profit	56,952,155	12,106,353	69,058,508	68,714,998	23,112,930	91,827,928
General and administrative expenses	(23,290,452)	-	(23,290,452)	(26,192,835)	-	(26,192,835)
Finance cost	(197,364)	-	(197,364)	(180,095)	-	(180,095)
Other income	10,133	-	10,133	20,667	-	20,667
Profit for the period	33,474,472	12,106,353	45,580,825	42,362,735	23,112,930	65,475,665

	Three months period ended 30 September (Unaudited)					
	2020			2019		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	77,670,755	3,268,004	80,938,759	102,620,796	5,123,868	107,744,664
Direct costs	(60,752,951)	(235,226)	(60,988,177)	(73,400,800)	(208,471)	(73,609,271)
Other underwriting income	682,485	-	682,485	373,885	-	373,885
Other underwriting expenses	(835,518)	-	(835,518)	(480,934)	-	(480,934)
Non-cash investment gain	-	1,085,103	1,085,103	-	158,766	158,766
Segment profit	16,764,771	4,117,881	20,882,652	29,112,947	5,074,163	34,187,110
General and administrative expenses	(7,677,871)	-	(7,677,871)	(8,857,219)	-	(8,857,219)
Finance cost	(45,015)	-	(45,015)	(81,578)	-	(81,578)
Other income	-	-	-	2,501	-	2,501
Profit for the period	9,041,885	4,117,881	13,159,766	20,176,651	5,074,163	25,250,814

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

15 SEGMENT REPORTING (continued)

15.2 Segment assets and liabilities

	As at 30 September 2020 (Unaudited)			As at 31 December 2019 (Audited)		
				Underwriting	Investments	Total
				AED	AED	AED
Segment assets	438,723,943	468,359,297	907,083,240	610,440,398	220,969,330	831,409,728
Unallocated assets	-	-	66,492,828	-	-	193,071,447
Total assets	438,723,943	468,359,297	973,576,068	610,440,398	220,969,330	1,024,481,175
Segment liabilities	594,856,251	7,366,008	602,222,259	618,352,282	9,180,029	627,532,311
Unallocated liabilities	-	-	5,476,460	-	-	5,475,718
Total liabilities	594,856,251	7,366,008	607,698,719	618,352,282	9,180,029	633,008,029
Capital expenditure	3,645,143	-	3,645,143	2,141,672	-	2,141,672

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of statutory deposits, investments carried at fair value through other comprehensive income, investments carried at fair value through profit and loss, insurance receivables, deposits, bank balances and cash, and certain other assets. Financial liabilities consist of insurance payables, lease liabilities 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 2020 and 31 December 2019:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
30 September 2020 (Unaudited)				
Investments at fair value through statement of comprehensive income	156,325,794	-	-	156,325,794
Investments at fair value through profit and loss	30,646,079	-	6,828,736	37,474,815
	186,971,873	-	6,828,736	193,800,609
31 December 2019 (Audited)				
Investments at fair value through statement of comprehensive income	190,053,996	-	-	190,053,996
Investments at fair value through profit and loss	35,824,260	-	8,002,739	43,826,999
	225,878,256	-	8,002,739	233,880,995

Valuation technique:

Level 1: Quoted bid prices in an active market

Level 3: Net assets value based on audited financials

Al Dhafra Insurance Company (P.S.C.)
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

17 CONTINGENT LIABILITY

	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Bank guarantees	18,572,625	18,706,187
