

NATIONAL GENERAL INSURANCE CO. (P.J.S.C.)

**Review report and interim financial information
for the three months period ended 31 March 2019**

NATIONAL GENERAL INSURANCE CO. (P.J.S.C.)

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors of
National General Insurance Co. (P.J.S.C.)
Dubai
United Arab Emirates**

Introduction

We have reviewed the accompanying condensed statement of financial position of **National General Insurance Co. (P.J.S.C.) (the "Company") – Dubai, United Arab Emirates** as at 31 March 2019 and the related condensed statement of income, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: "*Interim Financial Reporting*" as issued by IASB.

Other Matter

The condensed interim financial information of the Company for the three month ended 31 March 2018 and the annual financial statements for the year ended 31 December 2018 were reviewed and audited by other auditors, whose review report dated 13 May 2018 and audit report dated 11 February 2019 expressed an unmodified conclusion and opinion respectively.

Deloitte & Touche (M.E.)



Signed by:
Samir Madbak
Registration No. 386
12 May 2019
Sharjah, United Arab Emirates

**Condensed statement of financial position
at 31 March 2019**

| | Notes | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|--|-------|--|---|
| ASSETS | | | |
| Property and equipment | 4 | 27,946,277 | 28,616,081 |
| Intangible assets | | 1,987,607 | 2,016,151 |
| Investment properties | | 218,779,637 | 218,779,637 |
| Investment securities | 7 | 219,309,768 | 252,299,372 |
| Reinsurance assets | 8 | 281,325,822 | 268,150,211 |
| Insurance and other receivables | 9 | 186,982,371 | 174,652,838 |
| Cash and bank balances | 11 | 280,610,565 | 265,891,866 |
| Total assets | | 1,216,942,047 | 1,210,406,156 |
| LIABILITIES | | | |
| Insurance contract liabilities | 8 | 538,397,546 | 507,417,770 |
| Insurance and other payables | 16 | 181,813,191 | 197,737,942 |
| Payable to policyholders of unit-linked products | 17 | 45,427,616 | 41,018,157 |
| Total liabilities | | 765,638,353 | 746,173,869 |
| EQUITY | | | |
| Share capital | 12 | 149,954,112 | 149,954,112 |
| Legal reserve | 13 | 74,977,056 | 74,977,056 |
| General reserve | 14 | 74,977,056 | 74,977,056 |
| Fair value reserve | | 408,652 | (73,080) |
| Retained earnings | | 150,986,818 | 164,397,143 |
| Total equity | | 451,303,694 | 464,232,287 |
| Total equity and liabilities | | 1,216,942,047 | 1,210,406,156 |


H.E. Hamad Mubarak Buamim
Chairman


Dr. Abdul Zahra A. Ali
Chief Executive Officer

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of income (unaudited)
for the three months period ended 31 March 2019

| | Three months period ended 31 March | |
|--|---|---------------------|
| | 2019 | 2018 |
| | AED | AED |
| Gross written premium | 143,342,846 | 121,064,850 |
| Reinsurance ceded | (66,605,607) | (61,976,585) |
| Net premium | 76,737,239 | 59,088,265 |
| Change in unearned premium provision | (12,110,982) | 4,515,401 |
| Net earned premiums | 64,626,257 | 63,603,666 |
| Reinsurance commission | 8,416,954 | 9,260,952 |
| Net underwriting income | 73,043,211 | 72,864,618 |
| Claims paid | (68,368,633) | (67,759,984) |
| Reinsurance share | 33,756,343 | 31,033,369 |
| Net claims paid | (34,612,290) | (36,726,615) |
| Change in outstanding claims provision | (4,205,297) | (2,526,555) |
| Net incurred claims | (38,817,587) | (39,253,170) |
| Commission incurred | (11,086,302) | (9,577,808) |
| Administrative expenses | (15,309,250) | (14,103,049) |
| Net underwriting expenses | (65,213,139) | (62,934,027) |
| Movement in life assurance fund and payable to policyholders of unit linked products | (5,897,345) | (1,464,870) |
| Increase/(decrease) in fair value of investment held for unit linked products | 3,805,811 | (800,691) |
| Net income from investment securities - life | 1,304,022 | 690,358 |
| Total underwriting expenses | (66,000,651) | (64,509,230) |
| Underwriting profit | 7,042,560 | 8,355,388 |
| Interest and other income (net) | 956,930 | 1,199,774 |
| Net income from investment securities | 9,544,566 | 1,443,377 |
| Administrative expenses | (6,074,516) | (2,448,798) |
| Profit for the period | 11,469,540 | 8,549,741 |
| Basic and diluted earnings per share (Note 15) | 0.08 | 0.06 |

The accompanying notes form an integral part of these condensed financial statements.

**Condensed statement of comprehensive income (unaudited)
for the three months period ended 31 March 2019**

| | Three months period ended 31 March | |
|---|---|------------------|
| | 2019 | 2018 |
| | AED | AED |
| Profit for the period | 11,469,540 | 8,549,741 |
| Other comprehensive income/(loss) | | |
| <i>Items that will be reclassified to profit or loss:</i> | | |
| Net changes in fair value of investments at fair value through other comprehensive income | 315,292 | (229,533) |
| Transfer from equity on sale of investments at fair value through other comprehensive income | 166,440 | - |
| Total other comprehensive income/(loss) for the period | 481,732 | (229,533) |
| Total comprehensive income for the period | 11,951,272 | 8,320,208 |

The accompanying notes form an integral part of these condensed financial statements.

**Condensed statement of changes in equity
for the three months period ended 31 March 2019**

| | Share capital AED | Legal reserve AED | General reserve AED | Fair value reserve AED | Retained earnings AED | Total AED |
|--|-------------------------|-------------------------|---------------------------|------------------------------|-----------------------------|--------------|
| Balance at 1 January 2018 (audited) | 149,954,112 | 74,977,056 | 74,977,056 | (53,243) | 165,067,000 | 464,921,981 |
| Impact of adopting IFRS 9 | - | - | - | - | (7,021,673) | (7,021,673) |
| Balance at 1 January 2018 (restated) | 149,954,112 | 74,977,056 | 74,977,056 | (53,243) | 158,045,327 | 457,900,308 |
| Total comprehensive income for the period (unaudited) | | | | | | |
| Profit for the period | - | - | - | - | 8,549,741 | 8,549,741 |
| Other comprehensive loss for the period | | | | | | |
| Net change in fair value of investments FVTOCI | - | - | - | (229,533) | - | (229,533) |
| Total comprehensive income for the period | - | - | - | (229,533) | 8,549,741 | 8,320,208 |
| Director's remuneration | - | - | - | - | (2,520,247) | (2,520,247) |
| Dividends declared | - | - | - | - | (22,493,117) | (22,493,117) |
| Balance at 31 March 2018 (unaudited) | 149,954,112 | 74,977,056 | 74,977,056 | (282,776) | 141,581,704 | 441,207,152 |
| Balance at 31 December 2018 (audited) | 149,954,112 | 74,977,056 | 74,977,056 | (73,080) | 164,397,143 | 464,232,287 |
| Total comprehensive income for the period (unaudited) | | | | | | |
| Profit for the period | - | - | - | - | 11,469,540 | 11,469,540 |
| Other comprehensive income for the period | | | | | | |
| Net change in fair value of investments FVTOCI | - | - | - | 315,292 | - | 315,292 |
| Transfer from equity on sale of investments FVTOCI | - | - | - | 166,440 | - | 166,440 |
| Total other comprehensive income for the period | - | - | - | 481,732 | - | 481,732 |
| Total comprehensive income for the period | - | - | - | 481,732 | 11,469,540 | 11,951,272 |
| Director's remuneration | - | - | - | - | (2,386,748) | (2,386,748) |
| Dividends declared | - | - | - | - | (22,493,117) | (22,493,117) |
| Balance at 31 March 2019 (unaudited) | 149,954,112 | 74,977,056 | 74,977,056 | 408,652 | 150,986,818 | 451,303,694 |

The accompanying notes form an integral part of these condensed financial statements.

Condensed statement of cash flows (unaudited)
for the three months period ended 31 March 2019

| | Three months period ended 31 March | |
|--|---|---------------------|
| | 2019 | 2018 |
| | AED | AED |
| Cash flows from operating activities | | |
| Profit for the period | 11,469,540 | 8,549,741 |
| Adjustments for: | | |
| Depreciation and amortisation | 762,561 | 928,438 |
| Dividend income | (3,119,103) | (5,556,656) |
| Realised gains on investments fair valued through profit or loss | (5,571,914) | (874,112) |
| Unrealised loss on investments fair valued through profit or loss | 973,936 | 7,493,678 |
| Expected credit losses | 563,096 | (131,110) |
| Loss on sale of investments FVTOCI | 157,277 | - |
| Change in unearned premium reserve and life assurance fund | 18,008,327 | (3,008,257) |
| Provision for gratuity - net of repayment | 699,852 | 807,098 |
| Operating cash flows before changes in operating assets and liabilities | 23,943,572 | 8,208,820 |
| Change in insurance and other receivables (including related parties) | (12,871,644) | (41,631,348) |
| Change in insurance and other payables | (39,117,720) | (1,879,508) |
| Change in net outstanding claims | 4,205,297 | 2,526,555 |
| Directors' remuneration paid | (2,386,748) | (2,520,247) |
| Net cash used in operating activities | (26,227,243) | (35,295,728) |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (64,213) | (151,971) |
| Purchase of investments fair valued through profit or loss | (6,744,071) | (16,037,058) |
| Proceeds from sale of investments fair valued through profit or loss | 39,146,608 | 11,673,512 |
| Purchase of investments FVTOCI | (7,350,929) | - |
| Proceeds from sale of investments FVTOCI | 12,841,500 | - |
| Dividend income | 3,119,103 | 5,556,656 |
| Change in bank deposits | (20,343,902) | 36,232,011 |
| Net cash generated from investing activities | 20,604,096 | 37,273,150 |
| Net (decrease)/increase in cash and cash equivalents | (5,623,147) | 1,977,422 |
| Cash and cash equivalents at the beginning of the period | 39,704,474 | 30,173,159 |
| Cash and cash equivalents at the end of the period (Note 11) | 34,081,327 | 32,150,581 |

The accompanying notes form an integral part of these condensed financial statements.

**Notes to the condensed financial statements
for the three months period ended 31 March 2019**

1. General information

National General Insurance Co. (P.J.S.C.) ("the Company") was originally incorporated as a Private Limited Liability Company on 19 November 1980. Subsequently the Company was converted to a Public Joint Stock Company with effect from 12 September 2001.

The Company is registered under UAE Federal Law No. 2 of 2015 in the Emirate of Dubai and underwrites all classes of life and general insurance business as well as certain reinsurance business in accordance with the provisions of the UAE Federal Law no. 6.

The registered office of the Company is at the NGI House, P.O. Box 154, Dubai, United Arab Emirates.

2. Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRS applied with no material effect on the condensed interim financial information

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these condensed financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- The Company adopted IFRS 16 'Leases' the standard replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Company's financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

Based on an analysis of the Company's leases on the basis of the facts and circumstances that exist at that date, apart from providing more extensive disclosures, the application of IFRS 16 has no significant impact on the financial position and financial performance of the Company for the period ended 31 March 2019.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments

**Notes to the condensed financial statements
for the three months period ended 31 March 2019**

**2. Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS standards and interpretations but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments regarding the definition of material
- Amendments to clarify the definition of a business
- IFRS 17: Insurance Contracts
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, "*Interim Financial Reporting*" and also comply with the applicable requirements of the laws in the U.A.E.

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

These condensed financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties.

The accounting policies, presentation and methods in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2018.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2018. In addition, results for the three months period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

3.1.1 Judgements and estimates

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

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

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

3.1.2 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2018.

The accounting policies in respect of investment properties, investment in securities and property and equipment are disclosed in these condensed financial statements as required by Securities and Commodities Authority ("SCA") notification dated 12 October 2008.

3.2 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in providing services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the statement of profit or loss.

The Company determines fair value on the basis of valuations provided by two independent valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

3.3 Property and equipment

3.3.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

3.3.2 Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in statement of profit or loss as incurred.

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

3.3 Property and equipment (continued)

3.3.3 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. No depreciation is charged on freehold land and capital-work-in-progress. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

Property and equipment are carried at cost less accumulated depreciation and any identified impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives with their comparatives for various categories of property and equipment is as follows:

| | |
|------------------------|----------|
| Office building | 30 years |
| Furniture and fixtures | 4 years |
| Office equipment | 4 years |
| Motor vehicles | 4 years |
| Computer equipment | 4 years |

3.4 Intangible assets

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight line basis in the statement of profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods are four years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

3. Summary of significant accounting policies (continued)

3.5 Investment securities

3.5.1 Financial assets measured at amortised cost

At inception a financial asset is classified as measured at amortised cost or fair value.

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

3.5.2. Financial assets measured at fair value through profit or loss

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Company has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Investments held for trading are stated at fair value, with any resultant gain or loss recognised in profit or loss.

3.5.3 Financial assets at FVTOCI

At initial recognition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in certain equity instruments as at FVTOCI (fair value through other comprehensive income). Designation to FVTOCI is not permitted if the equity instrument is held for trading.

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

3. Summary of significant accounting policies (continued)

3.5 Investment securities (continued)

3.5.3 Financial assets at FVTOCI (continued)

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

4. Property and equipment

All property and equipment are located in U.A.E.

5. Related party transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 (Revised). The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

5.1 At the end of the reporting period, amounts due from/to related parties included under due from policyholders and gross outstanding claims were as follows:

| | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|--|--|---|
| Due from related parties | | |
| Insurance premium receivable (included in receivables) | <u>2,157,339</u> | <u>6,926,925</u> |
| Due to related parties | | |
| Payable to related party (included in payable) | <u>1,159,824</u> | <u>547,452</u> |
| Cash and cash equivalents | | |
| Cash at bank | 31,411,025 | 34,417,262 |
| Short term deposit | 120,252,238 | 119,820,894 |
| During the period, the Company entered into the following transactions with related parties: | | |
| | Three months period ended 31 March 2019 (unaudited) AED | 2018 (unaudited) AED |
| Key management personnel compensation | | |
| Remuneration and short term benefits | 1,728,281 | 1,662,637 |
| End of service benefits | 368,287 | 336,279 |
| Other related parties | | |
| Premiums underwritten | 5,665,458 | 5,759,184 |
| Claims paid | 2,918,019 | 5,525,898 |
| Interest income | <u>1,106,334</u> | <u>425,132</u> |

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

6. Classes and categories of financial assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities and their fair value:

31 March 2019 (unaudited)

| | FVTPL AED | FVTOCI AED | Amortised cost AED | Total AED |
|--|--------------------|-------------------|--------------------------|--------------------|
| Financial assets: | | | | |
| Investment securities | 156,969,766 | 39,010,464 | 24,192,500 | 220,172,730 |
| Insurance and other receivables | - | - | 176,619,796 | 176,619,796 |
| Cash and cash equivalents | - | - | 280,610,565 | 280,610,565 |
| | <u>156,969,766</u> | <u>39,010,464</u> | <u>481,422,861</u> | <u>677,403,091</u> |
| Financial liabilities: | | | | |
| Insurance and other payables | - | - | 170,498,347 | 170,498,347 |
| Payable to policyholders of unit-linked products | - | - | 45,427,616 | 45,427,616 |
| | <u>-</u> | <u>-</u> | <u>215,925,963</u> | <u>215,925,963</u> |

31 December 2018 (audited)

| | FVTPL AED | FVTOCI AED | Amortised cost AED | Total AED |
|--|--------------------|-------------------|--------------------------|--------------------|
| Financial assets: | | | | |
| Investment securities | 184,774,325 | 44,190,793 | 24,192,500 | 253,157,618 |
| Insurance and other receivables | - | - | 164,033,059 | 164,033,059 |
| Cash and cash equivalents | - | - | 265,891,866 | 265,891,866 |
| | <u>184,774,325</u> | <u>44,190,793</u> | <u>454,117,425</u> | <u>683,082,543</u> |
| Financial liabilities: | | | | |
| Insurance and other payables | - | - | 187,374,777 | 187,374,777 |
| Payable to policyholders of unit-linked products | - | - | 41,018,157 | 41,018,157 |
| | <u>-</u> | <u>-</u> | <u>228,392,934</u> | <u>228,392,934</u> |

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

7. Investment securities

The Company's investment securities at the end of reporting period are detailed below.

| | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|---|--|---|
| Financial assets at fair value through profit or loss | 156,969,766 | 184,774,325 |
| Financial assets at fair value through other comprehensive income | 39,010,464 | 44,190,793 |
| Financial assets at amortised cost | 24,192,500 | 24,192,500 |
| Less: expected credit losses | (862,962) | (858,246) |
| | 219,309,768 | 252,299,372 |
| Investments fair valued through profit or loss | | |
| Equity investments – quoted | 58,036,357 | 91,182,995 |
| Equity investments – unquoted | 10,000,000 | 10,000,000 |
| Fixed income investments/ bonds – quoted | 43,505,793 | 42,573,173 |
| Investments on behalf of policyholders of unit-linked products | 45,427,616 | 41,018,157 |
| Total | 156,969,766 | 184,774,325 |
| Investments – Geographic concentration | | |
| Investments made: | | |
| - Within U.A.E. | 185,438,346 | 212,492,935 |
| - Outside U.A.E. | 33,871,422 | 39,806,437 |
| Total | 219,309,768 | 252,299,372 |

Financial investments at FVTPL comprise of investments in funds in the United Arab Emirates.

FVTOCI investments comprise of debt instruments in United Arab Emirates.

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

7. Investment securities (continued)

Movements in provision for impairment are as follows:

| | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|---|--|---|
| Balance at the beginning of the year | 858,246 | - |
| Initial application of IFRS 9 | - | 872,938 |
| | <u>858,246</u> | <u>872,938</u> |
| Impairment allowance/(reversal) for the period/year | 18,929 | (14,692) |
| Impairment allocated on sold investment FVTOCI | (14,213) | - |
| | <u>862,962</u> | <u>858,246</u> |
| Balance at the end of the period/year | 862,962 | 858,246 |

8. Insurance contract liabilities and reinsurance contract assets

Outstanding claims reserve

| | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|--|--|---|
| Reserve for outstanding claims | 168,815,944 | 141,261,531 |
| Reserve for incurred but not reported claims (IBNR) | 47,025,094 | 59,203,401 |
| | <u>215,841,038</u> | <u>200,464,932</u> |
| Life assurance fund | 78,705,212 | 77,217,326 |
| Unearned premium reserve | 243,851,296 | 229,735,512 |
| | <u>538,397,546</u> | <u>507,417,770</u> |
| Insurance contract liabilities | 538,397,546 | 507,417,770 |
| Less: Reinsurance assets | | |
| Reinsurer share of outstanding claims | (130,453,526) | (110,073,157) |
| Reinsurer share of incurred but not reported claims (IBNR) | (27,063,910) | (36,273,470) |
| Unamortised reinsurance premium reserve | (123,808,386) | (121,803,584) |
| | <u>(281,325,822)</u> | <u>(268,150,211)</u> |
| Insurance assets | (281,325,822) | (268,150,211) |

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

9. Insurance and other receivables

| | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|--------------------------------------|--|---|
| Premium receivable | 33,618,466 | 33,375,220 |
| Reinsurance companies | 34,345,012 | 33,447,058 |
| Insurance agents and brokers | 105,345,913 | 90,070,133 |
| Due from related parties | 2,157,339 | 6,926,925 |
| Deferred acquisition cost | 8,165,607 | 8,243,710 |
| Accrual of interest and other income | 6,942,889 | 3,492,088 |
| Advances and prepayments | 2,196,968 | 2,376,069 |
| Other receivables | 7,982,372 | 9,951,719 |
| | 200,754,566 | 187,882,922 |
| Less: Provision for impairment | (13,772,195) | (13,230,084) |
| | 186,982,371 | 174,652,838 |

Movements in provision for impairment are as follows:

| | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|---|--|---|
| Balance at the beginning of the year | 13,230,084 | 7,500,000 |
| Initial application of IFRS 9 | - | 5,934,095 |
| | 13,230,084 | 13,434,095 |
| Impairment allowance/(reversal) for the period/year | 542,111 | (204,011) |
| Balance at the end of the period/year | 13,772,195 | 13,230,084 |

10. Statutory deposit

In accordance with the requirements of Federal Law No. 6 of 2007, on Establishment of Insurance Authority of U.A.E. and Organisation of its operations, the Company maintains a bank deposit of AED 7,500,000 (31 December 2017: AED 7,500,000) as a statutory deposit. This deposit has been pledged to the Bank as security against a guarantee issued by the Bank in favour of the Ministry of Economy and Commerce. This deposit bears an interest rate of 3.25% per annum (31 December 2018: 2.65% per annum).

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

11. Bank balances and cash

| | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|--|--|---|
| Cash on hand | 46,746 | 50,425 |
| Cash with banks | 34,034,581 | 39,654,049 |
| Fixed deposits | 246,618,736 | 226,274,834 |
| Less: Provision for impairment | (89,498) | (87,442) |
| | <u>280,610,565</u> | <u>265,891,866</u> |
| Less: Deposits with maturities greater than three months | (246,529,238) | (226,187,392) |
| Cash and cash equivalents | <u>34,081,327</u> | <u>39,704,474</u> |

Fixed deposits under lien are against letters of guarantee (Note 18).

Movements in provision for impairment are as follows:

| | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|---|--|---|
| Balance at the beginning of the year | 87,442 | - |
| Initial application of IFRS 9 | - | 214,640 |
| | <u>87,442</u> | <u>214,640</u> |
| Impairment allowance/(reversal) for the period/year | 2,056 | (127,198) |
| Balance at the end of the period/year | <u>89,498</u> | <u>87,442</u> |

12. Share capital

| | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|--|--|---|
| Issued and fully paid (149,954,112 ordinary shares of AED 1 each) | <u>149,954,112</u> | <u>149,954,112</u> |

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

13. Legal reserve

In accordance with U.A.E. Federal Law Number (2) of 2015, the Company has established a legal reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

14. General reserve

General reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilized for any other purpose unless approved by the Ordinary General Assembly. No transfer to voluntary reserve is made during the period ended 31 March 2019.

15. Basic and diluted earnings per share

| | Three months period ended 31 March | |
|---|---|--------------------|
| | 2019 | 2018 |
| | (unaudited) | (unaudited) |
| Profit for the period (in AED) | 11,469,540 | 8,549,741 |
| Number of shares | 149,954,112 | 149,954,112 |
| Basic and diluted earnings per share (in AED) | 0.08 | 0.06 |

Basic earnings per share are calculated by dividing the profit for the year by the number of weighted average shares outstanding at the end of the reporting period. Diluted earnings per share is equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

16. Insurance and other payables

| | 31 March | 31 December |
|----------------------------|--------------------|--------------------|
| | 2019 | 2018 |
| | (unaudited) | (audited) |
| | AED | AED |
| Creditors | 17,257,765 | 26,678,140 |
| Reinsurance companies | 72,031,666 | 74,887,265 |
| Premium reserve withheld | 58,663,539 | 58,117,174 |
| Due to related parties | 1,159,824 | 547,452 |
| Accrued expenses | 7,879,691 | 7,165,365 |
| Employee terminal benefits | 10,838,060 | 10,138,208 |
| Commission payable | 772,166 | 620,677 |
| VAT payable | 476,784 | 224,957 |
| Other payable balances | 12,733,696 | 19,358,704 |
| | 181,813,191 | 197,737,942 |

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

17. Payable to policyholders of unit-linked products

Movement during the period:

| | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|---|--|---|
| As at 1 January | 41,018,157 | 45,249,827 |
| Amount invested by policyholders | 4,169,359 | 9,724,614 |
| Amount withdrawn at redemption stage/lapse/surrender by policyholder | (3,565,711) | (9,232,539) |
| Change in fair value | 3,805,811 | (4,723,745) |
| Payable to policyholders of unit-linked products | <u>45,427,616</u> | <u>41,018,157</u> |

18. Contingent liabilities

| | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|----------------------|--|---|
| Letters of guarantee | 10,362,287 | 10,152,390 |

Fixed deposits amounting to AED 16 million (31 December 2018: AED 16 million) are under lien as collateral in respect of above guarantees. Guarantees include an amount of AED 7.5 million (31 December 2018: AED 7.5 million) favoring the Ministry of Economy and Commerce.

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not expect that the outcome of these court cases will have a material impact on the Company's financial performance or financial position.

19. Dividend and directors' remuneration

At the Annual General Meeting held on 26 March 2019, the Shareholders approved a cash dividend of AED 22,493,117 at 0.15 dirhams per share for 2018 (2017: AED 22,493,117 at 0.15 dirhams per share). The Shareholders also approved Board of Directors' remuneration of AED 2,386,748 for 2018 (2017: AED 2,520,247 million).

20. Segment information

The Company is organised into two segments: Underwriting and investments. Underwriting segment incorporates all classes of general insurance including fire, marine, medical, motor, general accident and other classes of insurance.

Investments segment includes investments in U.A.E. marketable equity securities, term deposits with banks, investment properties, trading investments and other securities.

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

20. Segment information (continued)

These segments are the basis on which the Company reports its primary segment information to the Managing Director.

Insurance premium represents the total income arising from insurance contracts. The Company does not conduct any business outside U.A.E. There are no transactions between the business segments.

Segmental information is presented below:

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

20. Segment information (continued)

Primary segment information

For management purposes the Company is organized into two operating segments, general insurance and life assurance. These segments are the basis on which Company reports its primary segment information

| | General insurance | | Life assurance | | Total | |
|--|--|---------------------|--|--------------------|--|---------------------|
| | For the three months period ended 31 March | | For the three months period ended 31 March | | For the three months period ended 31 March | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | AED | AED | AED | AED | AED | AED |
| Underwriting income | | | | | | |
| Gross written premium | 130,161,124 | 107,436,305 | 13,181,722 | 13,628,545 | 143,342,846 | 121,064,850 |
| Reinsurance ceded | (61,492,172) | (56,938,325) | (5,113,435) | (5,038,260) | (66,605,607) | (61,976,585) |
| Net premium | 68,668,952 | 50,497,980 | 8,068,287 | 8,590,285 | 76,737,239 | 59,088,265 |
| Change in unearned premium provision | (11,421,371) | 4,988,924 | (689,611) | (473,523) | (12,110,982) | 4,515,401 |
| Net earned premium | 57,247,581 | 55,486,904 | 7,378,676 | 8,116,762 | 64,626,257 | 63,603,666 |
| Reinsurance commission | 7,830,946 | 7,815,997 | 586,008 | 1,444,955 | 8,416,954 | 9,260,952 |
| Total underwriting income | 65,078,527 | 63,302,901 | 7,964,684 | 9,561,717 | 73,043,211 | 72,864,618 |
| Underwriting expenses | | | | | | |
| Net incurred claims | (33,684,828) | (32,777,809) | (5,132,759) | (6,475,361) | (38,817,587) | (39,253,170) |
| Commission incurred | (10,508,385) | (8,864,855) | (577,917) | (712,953) | (11,086,302) | (9,577,808) |
| Administrative expenses | (13,640,334) | (12,147,898) | (1,668,916) | (1,955,151) | (15,309,250) | (14,103,049) |
| Net underwriting expenses | (57,833,547) | (53,790,562) | (7,379,592) | (9,143,465) | (65,213,139) | (62,934,027) |
| Profit before movement in life assurance fund | 7,244,980 | 9,512,339 | 585,092 | 418,252 | 7,830,072 | 9,930,591 |
| Movement in life assurance fund and payable to policyholders of unit linked products | - | - | (5,897,345) | (1,464,870) | (5,897,345) | (1,464,870) |
| Increase in fair value of investment held for unit linked products | - | - | 3,805,811 | (800,691) | 3,805,811 | (800,691) |
| Net income from investment securities - life | - | - | 1,304,022 | 690,358 | 1,304,022 | 690,358 |
| Underwriting profit for the period | 7,244,980 | 9,512,339 | (202,420) | (1,156,951) | 7,042,560 | 8,355,388 |
| Interest and other income (net) | | | | | 956,930 | 1,199,774 |
| Net income from investment securities | | | | | 9,544,566 | 1,443,377 |
| Unallocated expenses | | | | | (6,074,516) | (2,448,798) |
| Profit for the period | | | | | 11,469,540 | 8,549,741 |

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

20. Segment information (continued)

Primary segment information

For management purposes the Company is organized into two operating segments, general insurance and life assurance. These segments are the basis on which Company reports its primary segment information

| | General insurance | | Life assurance | | Total |
|--|--------------------|---|--|---|---|
| | 31 March 2019 | 31 December 2018 (audited) AED | 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED | 31 March 2019 (unaudited) AED |
| | | | | | 31 December 2018 (audited) AED |
| Assets | | | | | |
| Property and equipment | 27,946,277 | 28,616,081 | - | - | 27,946,277 |
| Intangible assets | 1,987,607 | 2,016,151 | - | - | 1,987,607 |
| Investment properties | 178,504,637 | 178,504,637 | 40,275,000 | 40,275,000 | 218,779,637 |
| Investments securities | 120,072,121 | 152,790,359 | 99,237,647 | 99,509,013 | 219,309,768 |
| Reinsurance assets | 265,172,460 | 248,101,107 | 16,153,362 | 20,049,104 | 281,325,822 |
| Insurance and other receivables | 170,639,900 | 154,345,630 | 16,342,471 | 20,307,208 | 186,982,371 |
| Cash and bank balances | 222,424,023 | 216,447,304 | 58,186,542 | 49,444,562 | 280,610,565 |
| Total assets | 986,747,025 | 983,065,967 | 230,195,022 | 229,594,571 | 1,216,942,047 |
| Liabilities | | | | | |
| Insurance contract liabilities | 437,189,489 | 405,276,110 | 101,208,057 | 102,141,660 | 538,397,546 |
| Insurance and other payables | 179,240,060 | 191,218,239 | 2,573,131 | 6,519,703 | 181,813,191 |
| Payable to policyholders of unit linked products | - | - | 45,427,616 | 41,018,157 | 45,427,616 |
| Total liabilities | 616,429,549 | 596,494,349 | 149,208,804 | 149,679,520 | 765,638,353 |
| Equity | | | | | |
| Share capital | | | | | 149,954,112 |
| Legal reserve | | | | | 74,977,056 |
| General reserve | | | | | 74,977,056 |
| Fair value reserve | | | | | 408,652 |
| Retained earnings | | | | | 150,986,818 |
| Total equity | | | | | 464,232,287 |
| Total liabilities and equity | | | | | 1,216,942,047 |

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

21. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

21.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed financial statements approximate their fair values except for financial investments measured at amortised cost of which fair value is determined based on the quoted market prices and disclosed in note 6 of these condensed financial statements.

21.2 Fair value of financial instruments carried at fair value

21.2.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2018.

21.2.2 Fair value measurements recognised in the condensed statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

The following table provides an analysis of financial and non- financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

21. Fair value measurements (continued)

21.2 Fair value of financial items carried at fair value (continued)

21.2.2 Fair value measurements recognised in the condensed statement of financial position (continued)

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

| Financial assets | Fair value as at 31 March 2019 (unaudited) AED | 31 December 2018 (audited) AED | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable input | Relationship of unobservable inputs to fair value |
|----------------------------|---|--------------------------------------|----------------------|---|--------------------------------|--|
| FVTOCI | | | | | | |
| Quoted debt securities | 39,010,464 | 44,190,793 | Level 1 | Quoted bid prices in an active market. | None. | N/A |
| FVTPL | | | | | | |
| Quoted equity securities | 58,036,357 | 91,182,995 | Level 1 | Quoted bid prices in an active market. | None. | N/A |
| Quoted debt securities | 43,505,793 | 42,573,173 | Level 1 | Quoted bid prices in an active market. | None. | N/A |
| Unit linked products | 45,427,616 | 41,018,157 | Level 2 | Net assets value of the respective mutual funds derived from the market value of the underlying assets. | None. | N/A |
| Unquoted equity securities | 10,000,000 | 10,000,000 | Level 3 | Net assets valuation method. | Net value. | Higher the net assets value of the investees, higher the fair value. |

There were no transfers between each of level during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

**Notes to the condensed financial statements
for the three months period ended 31 March 2019 (continued)**

22. Reclassification

The following balances in the statement of financial position for the prior year have been reclassified to conform to the current period presentation.

| | As previously reported at 31 December 2018 (audited) AED | Reclassification AED | As reclassified at 31 December 2018 AED |
|---------------------------------|---|---------------------------------|--|
| Insurance and other receivables | 176,907,220 | (2,254,382) | 174,652,838 |
| Total assets | 1,212,660,538 | (2,254,382) | 1,210,406,156 |
| Insurance and other payables | 199,992,324 | (2,254,382) | 197,737,942 |
| Total liabilities | 748,428,251 | (2,254,382) | 746,173,869 |
| Total equity and liabilities | 1,212,660,538 | (2,254,382) | 1,210,406,156 |

The following balances in the statement of income for the prior period have been reclassified to conform to the current period presentation.

| | As previously reported at 31 March 2018 (unaudited) AED | Reclassification AED | As reclassified at 31 March 2018 (unaudited) AED |
|--|--|---------------------------------|---|
| Decrease in fair value of investment held for unit linked products | (110,333) | (690,358) | (800,691) |
| Net income from investments in securities - life | - | 690,358 | 690,358 |

There are no changes to profit for the three months period 31 March 2018 based on above reclassifications.

23. Approval of the condensed financial statements

The condensed financial statements were approved by the Board of Directors and authorised for issue on 12 May 2019.