

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

**Review report and condensed interim financial information
for the nine months period ended 30 September 2020**

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

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INDEPENDENT AUDITOR'S REVIEW REPORT

**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 30 September 2020 and the related condensed statement of profit or loss, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the nine months period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*" as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of 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.

Deloitte & Touche (M.E.)



Signed by:

Samir Madbak

Registration No. 386

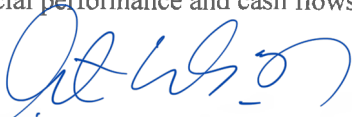
8 November 2020


Sharjah, United Arab Emirates

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

	Notes	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
ASSETS			
Property and equipment	5	26,045,025	26,953,580
Intangible assets		2,895,137	3,518,768
Investment properties	6	189,233,524	189,233,524
Investment securities	7	316,031,977	159,464,467
Reinsurance contract assets	8	357,104,495	255,199,607
Insurance and other receivables	9	223,308,397	151,999,207
Fixed deposits	10	214,404,480	282,315,522
Bank balances and cash	10	46,620,254	104,674,208
Total assets		1,375,643,289	1,173,358,883
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	149,954,112	149,954,112
Legal reserve	12	74,977,056	74,977,056
General reserve	13	74,977,056	74,977,056
Cumulative change in fair value through other comprehensive income (FVOCI) investments		1,645,319	254,852
Retained earnings		168,375,945	156,975,776
Total equity		469,929,488	457,138,852
Liabilities			
Provision for end of service indemnity		12,331,439	11,256,083
Insurance contract liabilities	8	634,305,885	512,337,332
Insurance and other payables	14	210,413,379	151,507,721
Bank borrowings	15	7,173,827	-
Payable to policyholders of unit linked products	16	41,489,271	41,118,895
Total liabilities		905,713,801	716,220,031
Total equity and liabilities		1,375,643,289	1,173,358,883

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Company.


HE Hamad Mubarak Buamim
Chairman


Dr. Abdul Zahra A. Ali
Chief Executive Officer

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

Condensed statement of profit or loss (unaudited)
for the nine months period ended 30 September 2020

	Three months period ended 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	AED	AED	AED	AED
Gross written premium	126,045,720	114,798,553	458,899,423	425,595,101
Reinsurance ceded	(74,372,245)	(58,956,384)	(261,445,668)	(214,613,562)
Net premium	51,673,475	55,842,169	197,453,755	210,981,539
Change in unearned premium/unexpired risk	14,019,379	7,257,883	(5,290,237)	(17,001,917)
Net earned premiums	65,692,854	63,100,052	192,163,518	193,979,622
Reinsurance commission earned	13,648,332	6,859,642	36,582,993	25,692,178
Net underwriting income	79,341,186	69,959,694	228,746,511	219,671,800
Claims paid	(70,458,599)	(80,023,727)	(206,906,125)	(235,051,703)
Reinsurance share of claims paid	31,811,856	39,569,321	96,008,618	119,451,223
Net claims paid	(38,646,743)	(40,454,406)	(110,897,507)	(115,600,480)
Change in outstanding claims	(7,536,511)	(3,494,828)	(19,148,539)	(10,085,802)
Net incurred claims	(46,183,254)	(43,949,234)	(130,046,046)	(125,686,282)
Commission incurred	(9,630,177)	(11,346,672)	(25,804,756)	(34,882,680)
Administrative expenses	(12,096,574)	(14,304,941)	(45,733,135)	(43,471,195)
Net underwriting expenses	(67,910,005)	(69,600,847)	(201,583,937)	(204,040,157)
Movement in life assurance fund and payable to policyholders of unit linked products	(262,450)	3,121,781	4,004,735	(5,472,486)
Increase/(decrease) in fair value of investment held for unit linked products	3,089,440	(1,392,764)	646,494	3,839,917
Net income from investments life	1,141,633	1,305,645	2,397,427	4,239,564
Total underwriting expenses	(63,941,382)	(66,566,185)	(194,535,281)	(201,433,162)
Underwriting profit	15,399,804	3,393,509	34,211,230	18,238,638
Income from investment properties (net)	894,988	1,087,585	3,243,081	3,292,600
Net income/(loss) from investment securities and deposits	11,797,882	5,582,192	(196,170)	20,565,385
Administrative expenses	(2,134,696)	(2,524,423)	(9,116,711)	(11,044,298)
Profit for the period	25,957,978	7,538,863	28,141,430	31,052,325
Basic and diluted earnings per share (Note 17)	0.17	0.05	0.19	0.21

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

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

	Three months period ended 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	AED	AED	AED	AED
Profit for the period	25,957,978	7,538,863	28,141,430	31,052,325
Other comprehensive income				
<i>Items that may be reclassified to profit or loss:</i>				
Net changes in FVOCI investments	174,334	158,703	1,390,467	1,000,917
Total other comprehensive income for the period	174,334	158,703	1,390,467	1,000,917
Total comprehensive income for the period	26,132,312	7,697,566	29,531,897	32,053,242

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

**Condensed statement of changes in equity
for the nine months period ended 30 September 2020**

	Share capital AED	Legal reserve AED	General reserve AED	Cumulative change in FVOCI investments AED	Retained earnings AED	Total AED
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	-	-	-	1,000,917	31,052,325	32,053,242
Transfer from equity on sale of FVOCI investments	-	-	-	166,440	-	166,440
Directors' remuneration (Note 20)	-	-	-	-	(2,386,748)	(2,386,748)
Dividends declared (Note 20)	-	-	-	-	(22,493,117)	(22,493,117)
Balance at 30 September 2019 (unaudited)	149,954,112	74,977,056	74,977,056	1,094,277	170,569,603	471,572,104
Balance at 31 December 2019 (audited)	149,954,112	74,977,056	74,977,056	254,852	156,975,776	457,138,852
Total comprehensive income for the period	-	-	-	1,390,467	28,141,430	29,531,897
Directors' remuneration (Note 20)	-	-	-	-	(1,745,850)	(1,745,850)
Dividends declared (Note 20)	-	-	-	-	(14,995,411)	(14,995,411)
Balance at 30 September 2020 (unaudited)	149,954,112	74,977,056	74,977,056	1,645,319	168,375,945	469,929,488

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

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

	Nine months period ended 30 September	
	2020	2019
	AED	AED
Cash flows from operating activities		
Profit for the period	28,141,430	31,052,325
Adjustments for:		
Depreciation and amortisation	1,751,850	2,230,243
Dividend income	(5,543,379)	(4,141,504)
Realised gains on fair value through profit or loss (FVTPL) investments	(482,219)	(8,771,695)
Unrealised loss/(gain) on FVTPL investments	11,365,358	(912,748)
Provision/(reversal) for expected credit losses	5,473,193	(83,940)
Loss on sale of investments at amortised costs	20,000	-
Gain on sale of FVOCI investments	-	(217,441)
Other investment income	(8,406,671)	(9,730,657)
Provision for gratuity - net of repayment	1,075,356	946,413
Operating cash flows before changes in operating assets and liabilities	33,394,918	10,370,996
Change in insurance and other receivables (including related parties)	(76,428,395)	(1,831,095)
Change in insurance and other payables	58,905,658	(16,526,723)
Change in unearned premium reserve and life assurance fund	1,285,502	22,474,403
Change in net outstanding claims	19,148,539	10,085,802
Net cash generated from operating activities	36,306,222	24,573,383
Cash flows from investing activities		
Purchase of property and equipment	(219,664)	(2,540,101)
Purchase of FVTPL investments	(150,234,387)	(30,419,350)
Proceeds from sale of FVTPL investments	10,652,781	73,115,733
Purchase of FVOCI investments	(36,050,357)	(31,632,918)
Proceeds from sale of FVOCI investments	-	26,481,419
Dividend income	5,543,379	4,141,504
Interest and other income received	8,406,671	6,168,833
Proceeds from sale of investments at amortised costs	9,172,500	-
Change in bank deposits	67,936,335	(40,885,780)
Increase in bank borrowings	7,173,827	-
Net cash (used in)/generated from investing activities	(77,618,915)	4,429,340
Cash flows from financing activities		
Dividends paid	(14,995,411)	(22,493,117)
Directors' remuneration paid	(1,745,850)	(2,386,748)
Net cash used in financing activities	(16,741,261)	(24,879,865)
Net (decrease)/increase in cash and cash equivalents	(58,053,954)	4,122,858
Cash and cash equivalents at the beginning of the period	104,674,208	39,704,474
Cash and cash equivalents at the end of the period	46,620,254	43,827,332

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

**Notes to the condensed interim financial information
for the nine months period ended 30 September 2020****1. 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 of 2007 relating to the Establishment of Insurance Authority and Regulations of Insurance Operations. The Company is listed on Dubai Financial Market.

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

Coronavirus (COVID-19) outbreak and its impact on the Company

With the recent and rapid development of the coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Certain countries including the United Arab Emirates (UAE) have adopted extraordinary and economically costly containment measures and have required companies to limit or even suspend normal business operations.

Management has considered the unique circumstances and the risk exposures of the Company that could have a material impact on the business operations and has concluded that the main impacts on the Company’s profitability/liquidity position may arise from:

- recoverability of premium and insurance balances receivable,
- unavailability of personnel,
- reduction in gross premium due to non-renewal of policies,
- provision for outstanding claims and claims incurred but not reported,
- fair value measurement of financial instruments and investment properties held by the Company.

Based on the above consideration, management has concluded that there is no significant impact on the Company’s profitability position as at reporting date. The Company has implemented business continuity plan that includes all the procedures and protocols during the current situation and has formed Crisis Management Committee reporting to Chief Executive Officer. Remote working plans have been initiated and measures were taken to ensure uninterrupted business.

Further, the Company has performed stress testing as required by the Insurance Authority of UAE approved by the Board of Directors, who are satisfied that the Company will continue to operate as a going concern. Accordingly, this condensed interim financial information have been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.

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 2020, have been adopted in these condensed interim financial information. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to IFRS 3 *Business Combinations*

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

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

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

- Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework
- Amendments in IFRS 7, 9 and IAS 39 regarding pre-replacement issues in the context of the IBOR reform
- Amendment to IFRS 16 '*Leases*' to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The effective date is 1 June 2020.

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:

- IFRS 17: *Insurance Contracts*. Effective for annual period beginning on or after 1 January 2023
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. Effective date deferred indefinitely. Adoption is permitted.
- IAS 1: *Presentation of Financial Statements – Amendments on Classifications*. Effective for annual period beginning on or after 1 January 2023.
- Amendments relating to IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning after 1 January 2022)
- IFRS 4: *Insurance Contracts*. Amendments regarding the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 is now 1 January 2023.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to '*Interest Rate Benchmark Reform - Phase 2*', that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

3. Summary of significant accounting policies

3.1 Basis of preparation

This condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) No. 34 "Interim Financial Reporting".

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

This condensed interim financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties. The Company presents its condensed statement of financial position broadly in the order of liquidity.

The accounting policies, presentation and methods in this condensed interim financial information are consistent with those used in the audited financial statements for the year ended 31 December 2019.

These condensed interim financial information do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2019. In addition, results for the nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

4. Changes in judgements and estimation uncertainty

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2019, with the exception of the impact of the novel coronavirus (COVID-19) outbreak on the Company which is detailed below.

Recoverability of premium and insurance balances receivable

The COVID-19 outbreak led to a significant increase in the credit risk of companies within the economy as a result of operational disruption.

Based on management's assessment, the Company has not identified any material impact on the recoverability of premium and insurance balances receivable as at 30 September 2020.

Provision for outstanding claims and claims incurred but not reported

The Company has performed an assessment of the impact of COVID-19 on its contractual arrangements and provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Company determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported, as at 30 September 2020. The Company will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

Fair value measurement of financial instruments

COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets. The Company is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

Based on management's assessment, the Company has not identified any material impact on the fair values of financial assets and liabilities as at 30 September 2020 other than the change which is already reflected in the condensed interim financial information.

Fair value measurement of investment properties

Based on management's assessment, there is limited information available on the 2020 outlook for the real estate market and how the situation will progress in light of COVID-19. The Company has not identified any significant impact to the fair values of investment properties as at 30 September 2020. The Company will consistently monitor the market and ensure that the prices used by the Company are an accurate representation of fair values.

5. Property and equipment

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

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

6. Investment properties

Investment properties includes two plots of land, and rented out portion of a commercial building within UAE.

Management estimates that there has been no change in the fair value of investment properties. Investment properties are classified as Level 3 in the fair value hierarchy as at 30 September 2020 (31 December 2019: Level 3).

7. Investment securities

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

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Fair value through profit or loss (FVTPL) investments	252,720,834	124,022,367
Fair value through other comprehensive income (FVOCI) investments	48,726,676	11,285,852
Financial assets at amortised cost	15,000,000	24,192,500
Less: Provision for expected credit losses (ECL)	(415,533)	(36,252)
	316,031,977	159,464,467
Investments securities – Geographic concentration		
Investments made:		
- Within U.A.E.	199,896,363	125,913,496
- Outside U.A.E.	116,135,614	33,550,971
Total	316,031,977	159,464,467
FVTPL investments		
Equity investments – quoted	137,967,693	65,768,018
Equity investments – unquoted	10,000,000	10,000,000
Fixed income investments/bonds – quoted	63,263,870	7,135,454
Investments on behalf of policyholders of unit-linked products	41,489,271	41,118,895
Total	252,720,834	124,022,367

FVTPL and FVOCI investments with fair value of AED 56.3 million are pledged to a bank against loan granted to the Company (see Note 15).

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

7. Investment securities (continued)

Movements in provision for ECL are as follows:

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Balance at the beginning of the period/year	36,252	858,246
Provision / (reversal) for the period/year	379,281	(821,994)
Balance at the end of the period/year	415,533	36,252

8. Insurance contract liabilities and reinsurance contract assets

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Insurance contract liabilities		
Claims reported unsettled	211,926,232	150,269,111
Claims incurred but not reported	78,008,230	50,181,955
Life assurance fund	80,196,957	84,675,567
Unearned premium and unexpired risk	264,174,466	227,210,699
Total insurance contract liabilities, gross	634,305,885	512,337,332
Re-insurance contract assets		
Recoverable from reinsurers		
Claims reported unsettled	170,096,133	112,965,504
Claims incurred but not reported	41,097,326	27,893,098
Life assurance fund	6,097,109	6,200,608
Unearned premium and unexpired risk	139,813,927	108,140,397
Total reinsurers' share of insurance liabilities	357,104,495	255,199,607
Net		
Claims reported unsettled	41,830,099	37,303,607
Claims incurred but not reported	36,910,904	22,288,857
Life assurance fund	74,099,848	78,474,959
Unearned premium and unexpired risk	124,360,539	119,070,302
	277,201,390	257,137,725

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

9. Insurance and other receivables

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Premium receivables	40,228,889	16,581,589
Reinsurance companies	8,104,710	23,374,552
Insurance agents and brokers	119,143,444	85,721,199
Due from related parties	11,573,188	7,596,223
Accrual of interest and other income	5,638,276	3,081,614
Deferred acquisition cost	22,502,117	15,626,836
Advances and prepayments	17,874,331	2,583,450
Value added tax receivables	1,189,348	288,518
Other receivables	7,991,069	10,248,890
	234,245,372	165,102,871
Less: Provision for ECL	(10,936,975)	(13,103,664)
	223,308,397	151,999,207

Movement in provision for ECL are as follows:

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Balance at the beginning of the period/year	13,103,664	13,230,084
Written off during the period/year	(7,285,894)	-
Provision/(reversal) for the period/year	5,119,205	(126,420)
Balance at the end of the period/year	10,936,975	13,103,664

No interest is charged on overdue balances and no collateral is taken on insurance receivables.

10. Bank balances and cash

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Cash on hand	29,896	34,601
Cash with banks	46,670,436	37,107,663
Statutory deposit	10,000,000	10,000,000
Fixed deposits	204,404,480	339,952,837
Less: Provision for ECL	(80,078)	(105,371)
Total bank balances and cash	261,024,734	386,989,730
Less: Deposits with maturities greater than three months	(214,404,480)	(282,315,522)
Cash and cash equivalents	46,620,254	104,674,208

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

10. Bank balances and cash (continued)

Fixed deposits amounting to AED 17 million (31 December 2019: AED 16.4 million) under lien are against letters of guarantee (Note 19).

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 10,000,000 (31 December 2019: AED 10,000,000) 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 (Note 19).

Movements in provision for ECL are as follows:

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Balance at the beginning of the period/year (Reversal)/provision made during the period/year	105,371 (25,293)	87,442 17,929
Balance at the end of the period/year	80,078	105,371

11. Share capital

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Issued and fully paid (149,954,112 ordinary shares of AED 1 each)	149,954,112	149,954,112

12. Legal reserve

In accordance with the Company's Articles of Association and UAE Federal Law No. 2 of 2015, the Company transfers 10% of annual net profits, if any, to the legal reserve until it equals 50% of the share capital.

13. 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 30 September 2020.

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

14. Insurance and other payables

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Creditors	26,077,024	17,386,577
Reinsurance companies	66,248,748	41,499,798
Premium reserve withheld	64,990,383	51,024,860
Due to related parties	293,866	3,090,065
Deferred reinsurance commission	19,838,365	11,819,521
Accrued expenses	20,751,078	12,112,069
Commission payable	1,151,481	1,171,635
Other payable balances	11,062,434	13,403,196
	<u>210,413,379</u>	<u>151,507,721</u>

15. Bank borrowings

The bank loan is secured against the Company's investments in debt instruments having a fair value of AED 56.3 million (Note 7) and carries an interest rate of 1 month USD LIBOR plus 0.5% per annum.

16. Payable to policyholders of unit-linked products

Movement during the period:

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
As at 1 January	41,118,895	41,018,157
Amount invested by policyholders	9,261,241	12,389,192
Amount withdrawn at redemption stage/lapse/surrender by policyholder	(9,537,359)	(19,095,706)
Change in fair value	646,494	6,807,252
Payable to policyholders of unit-linked products	<u>41,489,271</u>	<u>41,118,895</u>

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

17. Basic and diluted earnings per share

	Three months period ended 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period (in AED)	25,957,978	7,538,863	28,141,430	31,052,325
Number of shares	149,954,112	149,954,112	149,954,112	149,954,112
Basic and diluted earnings per share (in AED)	0.17	0.05	0.19	0.21

Basic earnings per share is calculated by dividing the profit for the period 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.

18. 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.

18.1 At the end of the reporting period, amounts due from/to related parties were as follows:

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from related parties		
Insurance premium receivable	11,573,188	7,596,223
Due to related parties		
Insurance payable	293,866	3,090,065
Cash and cash equivalents		
Cash at bank	30,177,773	27,265,731
Short term deposit	93,702,998	200,692,321
	123,880,771	227,958,052

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

18. Related party transactions (continued)

18.2 During the period, the Company entered into the following transactions with related parties:

	Three months period ended 30 September		Nine months period ended 30 September	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Key management personnel compensation				
Remuneration and short term benefits	1,211,302	1,958,380	5,212,856	5,390,164
End of service benefits	(13,599)	87,185	237,487	543,840
Other related parties				
Premiums	30,097,219	20,080,700	67,789,843	61,717,847
Claims paid	4,811,651	6,127,510	17,882,348	20,019,707
Dividend paid	-	-	9,535,168	19,233,370
Interest income	704,014	1,203,922	2,666,117	3,448,675

19. Contingent liabilities

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Letters of guarantee	11,447,286	9,671,380

Fixed deposits amounting to AED 17 million (31 December 2019: AED 16.4 million) are under lien as collateral in respect of above guarantees. Guarantees include an amount of AED 10 million (31 December 2019: AED 10 million) favouring 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.

20. Dividend and directors' remuneration

At the Annual General Meeting held on 29 March 2020, the Shareholders approved a cash dividend of AED 14,995,411 at 0.10 dirhams per share for 2019 (2019: AED 22,493,117 at 0.15 dirhams per share for 2018). The Shareholders also approved Board of Directors' remuneration of AED 1,745,850 for 2019 (2019: AED 2,386,748 for 2018).

21. 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 to management.

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.

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

21. Segment information (continued)

	General insurance		Life assurance		Total	
	For the nine months period ended 30 September		For the nine months period ended 30 September		For the nine months period ended 30 September	
	2020	2019	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED	AED	AED
Underwriting income						
Gross written premium	421,283,017	389,881,802	37,616,406	35,713,299	458,899,423	425,595,101
Reinsurance ceded	(246,109,477)	(199,621,032)	(15,336,191)	(14,992,530)	(261,445,668)	(214,613,562)
Net premium	175,173,540	190,260,770	22,280,215	20,720,769	197,453,755	210,981,539
Change in unearned premium/unexpired risk	(4,420,943)	(16,599,926)	(869,294)	(401,991)	(5,290,237)	(17,001,917)
Net earned premium	170,752,597	173,660,844	21,410,921	20,318,778	192,163,518	193,979,622
Reinsurance commission earned	31,851,898	22,886,602	4,731,095	2,805,576	36,582,993	25,692,178
Total underwriting income	202,604,495	196,547,446	26,142,016	23,124,354	228,746,511	219,671,800
Underwriting expenses						
Net incurred claims	(105,298,588)	(105,630,430)	(24,747,458)	(20,055,852)	(130,046,046)	(125,686,282)
Commission incurred	(23,850,208)	(33,341,712)	(1,954,548)	(1,540,968)	(25,804,756)	(34,882,680)
Administrative expenses	(41,720,120)	(39,086,705)	(4,013,015)	(4,384,490)	(45,733,135)	(43,471,195)
Net underwriting expenses	(170,868,916)	(178,058,847)	(30,715,021)	(25,981,310)	(201,583,937)	(204,040,157)
Profit/(loss) before movement in life assurance fund	31,735,579	18,488,599	(4,573,005)	(2,856,956)	27,162,574	15,631,643
Movement in life assurance fund and payable to policyholders of unit linked products	-	-	4,004,735	(5,472,486)	4,004,735	(5,472,486)
Increase in fair value of investment held for unit linked products	-	-	646,494	3,839,917	646,494	3,839,917
Net income from investments life	-	-	2,397,427	4,239,564	2,397,427	4,239,564
Underwriting profit/(loss) for the period	31,735,579	18,488,599	2,475,651	(249,961)	34,211,230	18,238,638
Income from investment properties (net)					3,243,081	3,292,600
Net (loss)/income from investment securities and deposits					(196,170)	20,565,385
Unallocated expenses					(9,116,711)	(11,044,298)
Profit for the period					28,141,430	31,052,325

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

21. Segment information (continued)

	General insurance		Life assurance		Total	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	AED	AED	AED	AED	AED	AED
Assets						
Property and equipment	26,045,025	26,953,580	-	-	26,045,025	26,953,580
Intangible assets	2,895,137	3,518,768	-	-	2,895,137	3,518,768
Investment properties	149,708,072	149,708,072	39,525,452	39,525,452	189,233,524	189,233,524
Investments securities	211,213,416	75,768,019	104,818,561	83,696,448	316,031,977	159,464,467
Reinsurance contract assets	334,572,439	231,139,633	22,532,056	24,059,974	357,104,495	255,199,607
Insurance and other receivables	211,132,061	147,598,477	12,176,336	4,400,730	223,308,397	151,999,207
Bank balances and cash	206,880,314	300,341,040	54,144,420	86,648,690	261,024,734	386,989,730
Total assets	1,142,446,464	935,027,589	233,196,825	238,331,294	1,375,643,289	1,173,358,883
Liabilities						
Provision for end of service indemnity	12,331,439	11,256,083	-	-	12,331,439	11,256,083
Insurance contract liabilities	530,914,732	403,635,573	103,391,153	108,701,759	634,305,885	512,337,332
Insurance and other payables	201,988,911	140,739,050	8,424,468	10,768,671	210,413,379	151,507,721
Bank borrowings	7,173,827	-	-	-	7,173,827	-
Payable to policyholders of unit linked products	-	-	41,489,271	41,118,895	41,489,271	41,118,895
Total liabilities	752,408,909	555,630,706	153,304,892	160,589,325	905,713,801	716,220,031
Equity						
Share capital					149,954,112	149,954,112
Legal reserve					74,977,056	74,977,056
General reserve					74,977,056	74,977,056
Cumulative change in FVOCI investments					1,645,319	254,852
Retained earnings					168,375,945	156,975,776
Total equity					469,929,488	457,138,852
Total liabilities and equity					1,375,643,289	1,173,358,883

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

22. 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:

30 September 2020 (unaudited)

	FVTPL AED	FVOCI AED	Amortised cost AED	Total AED
Financial assets:				
Investment securities	252,704,238	48,345,885	14,981,854	316,031,977
Insurance and other receivables	-	-	181,742,601	181,742,601
Bank balances and cash	-	-	261,024,734	261,024,734
	<u>252,704,238</u>	<u>48,345,885</u>	<u>457,749,189</u>	<u>758,799,312</u>
Financial liabilities:				
Insurance and other payables	-	-	190,575,014	190,575,014
Bank borrowings	-	-	7,173,827	7,173,827
Payable to policyholders of unit-linked products	-	-	41,489,271	41,489,271
	<u>-</u>	<u>-</u>	<u>239,238,112</u>	<u>239,238,112</u>

31 December 2019 (audited)

	FVTPL AED	FVOCI AED	Amortised cost AED	Total AED
Financial assets:				
Investment securities	123,986,115	11,285,852	24,192,500	159,464,467
Insurance and other receivables	-	-	133,500,403	133,500,403
Bank balances and cash	-	-	386,989,730	386,989,730
	<u>123,986,115</u>	<u>11,285,852</u>	<u>544,682,633</u>	<u>679,954,600</u>
Financial liabilities:				
Insurance and other payables	-	-	139,688,201	139,688,201
Payable to policyholders of unit-linked products	-	-	41,118,895	41,118,895
	<u>-</u>	<u>-</u>	<u>180,807,096</u>	<u>180,807,096</u>

23. 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.

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

23. Fair value measurements (continued)

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 interim financial information approximate their fair values.

Fair value of financial instruments carried at fair value

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 2019.

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

23. Fair value measurements (continued)

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

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 30 September 2020 (unaudited) AED	31 December 2019 (audited) AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
FVOCI						
Quoted debt securities	48,345,885	11,285,852	Level 1	Quoted bid prices in an active market.	None.	N/A
FVTPL						
Quoted equity securities	137,967,693	65,768,018	Level 1	Quoted bid prices in an active market.	None.	N/A
Quoted debt securities	63,247,274	7,099,202	Level 1	Quoted bid prices in an active market.	None.	N/A
Unit linked products	41,489,271	41,118,895	Level 2	Net assets valuation method.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Unquoted equity securities	10,000,000	10,000,000	Level 3	Net assets valuation method.	Net assets 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.

24. Seasonality of results

No income of seasonal nature was recorded in the condensed statement of profit or loss for the nine month periods ended 30 September 2020 and 2019.

25. Approval of the condensed interim financial information

The condensed interim financial information were approved by the Board of Directors and authorised for issue on 8 November 2020.