

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

**Review report and condensed interim financial information
for the six months period ended 30 June 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 June 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 six 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.)

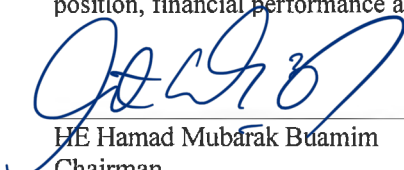



Signed by:
Samir Madbak
Registration No. 386
9 August 2020
Sharjah, United Arab Emirates

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

	Notes	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
ASSETS			
Property and equipment	5	26,379,988	26,953,580
Intangible assets		3,104,985	3,518,768
Investment properties	6	189,233,524	189,233,524
Investment securities	7	209,432,331	159,464,467
Reinsurance contract assets	8	291,227,892	255,199,607
Insurance and other receivables	9	249,634,864	151,999,207
Fixed deposits	10	244,404,480	282,315,522
Bank balances and cash	10	65,766,595	104,674,208
Total assets		1,279,184,659	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		1,470,985	254,852
Retained earnings		142,417,967	156,975,776
Total equity		443,797,176	457,138,852
Liabilities			
Provision for end of service indemnity		12,076,125	11,256,083
Insurance contract liabilities	8	578,128,838	512,337,332
Insurance and other payables	14	207,172,387	151,507,721
Payable to policyholders of unit linked products	15	38,010,133	41,118,895
Total liabilities		835,387,483	716,220,031
Total equity and liabilities		1,279,184,659	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 six months period ended 30 June 2020**

	Three months period ended		Six months period ended	
	2020	30 June 2019	2020	30 June 2019
	AED	AED	AED	AED
Gross written premium	153,971,120	167,453,702	332,853,703	310,796,548
Reinsurance ceded	(95,871,692)	(89,051,571)	(187,073,423)	(155,657,178)
Net premium	58,099,428	78,402,131	145,780,280	155,139,370
Change in unearned premium / unexpired risk	3,639,712	(12,148,818)	(19,309,616)	(24,259,800)
Net earned premiums	61,739,140	66,253,313	126,470,664	130,879,570
Reinsurance commission earned	11,031,244	10,415,582	22,934,661	18,832,536
Net underwriting income	72,770,384	76,668,895	149,405,325	149,712,106
Claims paid	(57,804,852)	(86,659,343)	(136,447,526)	(155,027,976)
Reinsurance share	29,739,802	46,125,559	64,196,762	79,881,902
Net claims paid	(28,065,050)	(40,533,784)	(72,250,764)	(75,146,074)
Change in outstanding claims provision	(4,966,315)	(2,385,677)	(11,612,028)	(6,590,974)
Net incurred claims	(33,031,365)	(42,919,461)	(83,862,792)	(81,737,048)
Commission incurred	(9,901,492)	(12,449,706)	(16,174,579)	(23,536,008)
Administrative expenses	(16,392,327)	(13,857,004)	(33,636,561)	(29,166,254)
Net underwriting expenses	(59,325,184)	(69,226,171)	(133,673,932)	(134,439,310)
Movement in life assurance fund and payable to policyholders of unit linked products	(5,249,520)	(2,696,922)	4,267,185	(8,594,267)
Increase/(decrease) in fair value of investment held for unit linked products	6,003,341	1,426,870	(2,442,946)	5,232,681
Net income from investment securities- life	362,622	1,629,897	1,255,794	2,933,919
Total underwriting expenses	(58,208,741)	(68,866,326)	(130,593,899)	(134,866,977)
Underwriting profit	14,561,643	7,802,569	18,811,426	14,845,129
Income from investment properties (net)	1,255,673	1,248,085	2,348,093	2,205,015
Net income from investment securities and deposits	5,108,589	5,438,627	(11,994,052)	14,983,193
Administrative expenses	(2,892,536)	(2,445,359)	(6,982,015)	(8,519,875)
Profit for the period	18,033,369	12,043,922	2,183,452	23,513,462
Basic and diluted earnings per share (Note 16)	0.12	0.08	0.01	0.16

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

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

	Three months period ended		Six months period ended	
	2020	30 June	2020	30 June
	AED	2019	2020	2019
	AED	AED	AED	AED
Profit for the period	18,033,369	12,043,922	2,183,452	23,513,462
Other comprehensive income				
<i>Items that may be reclassified to profit or loss:</i>				
Net changes in FVOCI investments	1,258,469	360,482	1,216,133	842,214
Total other comprehensive income for the period	1,258,469	360,482	1,216,133	842,214
Total comprehensive income for the period	19,291,838	12,404,404	3,399,585	24,355,676

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

**Condensed statement of changes in equity
for the six months period ended 30 June 2020**

	Share capital AED	Legal reserve AED	General reserve AED	Cumulative change in fair value through other comprehensive income (FVOCI) AED	Retained earnings AED	Total AED
Balance as 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	-	-	-	842,214	23,513,462	24,355,676
Transfer from equity on sale of FVOCI investments	-	-	-	166,440	-	166,440
Directors' remuneration (Note 19)	-	-	-	-	(2,386,748)	(2,386,748)
Dividends declared (Note 19)	-	-	-	-	(22,493,117)	(22,493,117)
	<u>149,954,112</u>	<u>74,977,056</u>	<u>74,977,056</u>	<u>935,574</u>	<u>163,030,740</u>	<u>463,874,538</u>
Balance at 30 June 2019 (unaudited)	149,954,112	74,977,056	74,977,056	935,574	163,030,740	463,874,538
	<u>149,954,112</u>	<u>74,977,056</u>	<u>74,977,056</u>	<u>254,852</u>	<u>156,975,776</u>	<u>457,138,852</u>
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	-	-	-	1,216,133	2,183,452	3,399,585
Directors' remuneration (Note 19)	-	-	-	-	(1,745,850)	(1,745,850)
Dividends declared (Note 19)	-	-	-	-	(14,995,411)	(14,995,411)
Balance at 30 June 2020 (unaudited)	<u>149,954,112</u>	<u>74,977,056</u>	<u>74,977,056</u>	<u>1,470,985</u>	<u>142,417,967</u>	<u>443,797,176</u>

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

**Condensed statement of cash flows (unaudited)
for the six months period ended 30 June 2020**

	Six months period ended 30 June	
	2020	2019
	AED	AED
Cash flows from operating activities		
Profit for the period	2,183,452	23,513,462
Adjustments for:		
Depreciation and amortisation	1,139,678	1,533,164
Dividend income	(5,316,167)	(3,942,618)
Realised gain on investments fair valued through profit or loss (FVTPL)	(474,324)	(6,616,140)
Unrealised loss / (gain) on investments in FVTPL	21,280,587	(564,212)
Provision / (reversal) for expected credit losses	6,871,569	(202,196)
Loss on sale of investments at amortised costs	20,000	-
Loss on sale of investments in FVOCI	-	171,490
Other investment income	(5,864,138)	(6,095,714)
Provision for gratuity - net of repayment	820,042	1,009,326
Operating cash flows before changes in operating assets and liabilities	20,660,699	8,806,562
Change in insurance and other receivables (including related parties)	(104,156,172)	(11,877,397)
Change in insurance and other payables	55,664,666	(11,778,345)
Change in unearned premium reserve and life assurance fund	15,042,431	32,854,067
Change in net outstanding claims	11,612,028	6,590,974
Net cash (used in) / generated from operating activities	(1,176,348)	24,595,861
Cash flows from investing activities		
Purchase of property and equipment	(152,303)	(734,774)
Purchase of investments in FVTPL	(53,746,698)	(21,617,774)
Proceeds from sale of investments in FVTPL	10,652,781	49,304,507
Purchase on investments in FVOCI	(36,026,303)	(20,621,210)
Proceeds from sale of investments in FVOCI	-	12,841,500
Proceeds from sale of investments at amortised costs	9,172,500	-
Dividend income	5,316,167	3,942,618
Interest and other income	5,864,138	3,305,815
Change in bank deposits	37,929,714	(30,876,092)
Net cash used in investing activities	(20,990,004)	(4,455,410)
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 in cash and cash equivalents	(38,907,613)	(4,739,414)
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	65,766,595	34,965,060

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

Notes to the condensed interim financial information for the six months period ended 30 June 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 six months period ended 30 June 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.

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 six months period ended 30 June 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 six months period ended 30 June 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 June 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 June 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 June 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 June 2020. The Company will consistently monitor the market and ensure that the prices used by the Company are an accurate representation of fair values.

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

5. Property and equipment

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

6. Investment properties

Investment property 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 June 2020 (31 December 2019: Level 3).

7. Investment securities

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

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Financial assets at fair value through profit or loss (FVTPL)	146,310,021	124,022,367
Financial assets at fair value through other comprehensive income (FVOCI)	48,528,288	11,285,852
Financial assets at amortised cost	15,000,000	24,192,500
Less: Provision for expected credit losses (ECL)	(405,978)	(36,252)
	209,432,331	159,464,467
Investments securities – Geographic concentration		
Investments made:		
- Within U.A.E.	126,317,588	125,913,496
- Outside U.A.E.	83,114,743	33,550,971
Total	209,432,331	159,464,467
Financial assets at fair value through profit or loss		
Equity investments – quoted	90,828,976	65,768,018
Equity investments – unquoted	10,000,000	10,000,000
Fixed income investments/bonds – quoted	7,470,912	7,135,454
Investments on behalf of policyholders of unit-linked products	38,010,133	41,118,895
Total	146,310,021	124,022,367

Equity investments classified at fair value through profit or loss are designated in this category upon initial recognition.

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

7. Investment securities (continued)

Movements in provision for ECL are as follows:

	30 June 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	369,726	(821,994)
Balance at the end of the period/year	405,978	36,252

8. Insurance contract liabilities and reinsurance contract assets

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Insurance contract liabilities		
Claims reported unsettled	154,541,766	150,269,111
Claims incurred but not reported	58,968,002	50,181,955
Life assurance fund	83,253,769	84,675,567
Unearned premium and unexpired risk	281,365,301	227,210,699
Total insurance contract liabilities, gross	578,128,838	512,337,332
Re-insurance contract assets		
Recoverable from reinsurers		
Claims reported unsettled	111,285,873	112,965,504
Claims incurred but not reported	31,019,403	27,893,098
Life assurance fund	5,937,233	6,200,608
Unearned premium and unexpired risk	142,985,383	108,140,397
Total reinsurers' share of insurance liabilities	291,227,892	255,199,607
Net		
Claims reported unsettled	43,255,893	37,303,607
Claims incurred but not reported	27,948,599	22,288,857
Life assurance fund	77,316,536	78,474,959
Unearned premium and unexpired risk	138,379,918	119,070,302
	286,900,946	257,137,725

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

9. Insurance and other receivables

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Premium receivables	46,195,332	16,581,589
Reinsurance companies	9,376,722	23,374,552
Insurance agents and brokers	137,443,647	85,721,199
Due from related parties	28,381,245	7,596,223
Accrual of interest and other income	4,480,508	3,081,614
Deferred acquisition cost	19,585,754	15,626,836
Advances and prepayments	14,596,039	2,583,450
Other receivables	9,199,796	10,537,408
	269,259,043	165,102,871
Less: Provision for ECL	(19,624,179)	(13,103,664)
	249,634,864	151,999,207

Movement in provision for ECL are as follows:

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Balance at the beginning of the period/year	13,103,664	13,230,084
Allowance made/(reversal) for the period/year	6,520,515	(126,420)
Balance at the end of the period/year	19,624,179	13,103,664

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

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

10. Bank balances and cash

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Cash on hand	32,434	34,601
Cash with banks	65,820,860	37,107,663
Statutory deposit	10,000,000	10,000,000
Fixed deposits	234,404,480	339,952,837
Less: Provision for ECL	(86,699)	(105,371)
Total bank balances and cash	<u>310,171,075</u>	<u>386,989,730</u>
Less: Deposits with maturities greater than three months	<u>(244,404,480)</u>	<u>(282,315,522)</u>
Cash and cash equivalents	<u><u>65,766,595</u></u>	<u><u>104,674,208</u></u>

Fixed deposits amounting to AED 17 million (31 December 2019: AED 16.4 million) under lien are against letters of guarantee (Note 18).

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 18).

Movements in provision for ECL are as follows:

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Balance at the beginning of the period/year	105,371	87,442
(Reversal)/allowance made during the period/year	(18,672)	17,929
Balance at the end of the period/year	<u><u>86,699</u></u>	<u><u>105,371</u></u>

11. Share capital

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Issued and fully paid (149,954,112 ordinary shares of AED 1 each)	<u><u>149,954,112</u></u>	<u><u>149,954,112</u></u>

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

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 June 2020.

14. Insurance and other payables

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Creditors	15,081,148	17,386,577
Reinsurance companies	78,856,875	41,499,798
Premium reserve withheld	61,995,534	51,024,860
Due to related parties	881,607	3,090,065
Deferred reinsurance commission	20,006,448	11,819,521
Accrued expenses	18,627,618	12,112,069
Commission payable	1,093,352	1,171,635
Other payable balances	10,629,805	13,403,196
	207,172,387	151,507,721

15. Payable to policyholders of unit-linked products

Movement during the period:

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
As at 1 January	41,118,895	41,018,157
Amount invested by policyholders	5,989,608	12,389,192
Amount withdrawn at redemption stage/lapse/surrender by policyholder	(6,655,424)	(19,095,706)
Change in fair value	(2,442,946)	6,807,252
Payable to policyholders of unit-linked products	38,010,133	41,118,895

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

16. Basic and diluted earnings per share

	Three months period ended		Six months period ended	
	2020 (unaudited)	30 June 2019 (unaudited)	2020 (unaudited)	30 June 2019 (unaudited)
Profit for the period (in AED)	18,033,369	12,043,922	2,183,452	23,513,462
Number of shares	149,954,112	149,954,112	149,954,112	149,954,112
Basic and diluted earnings per share (in AED)	0.12	0.08	0.01	0.16

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.

17. 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.

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

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Due from related parties		
Insurance premium receivable	28,381,245	7,596,223
Due to related parties		
Insurance payable	881,607	3,090,065
Cash and cash equivalents		
Cash at bank	60,539,354	27,265,731
Short term deposit	123,702,998	200,692,321
	184,242,352	227,958,052

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

17. Related party transactions (continued)

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

	Three months period ended 30 June		Six months period ended 30 June	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Key management personnel compensation				
Remuneration and short term benefits	1,901,731	1,703,503	4,001,554	3,431,784
End of service benefits	83,688	88,368	251,086	456,655
Other related parties				
Premiums	30,227,423	35,971,689	37,692,624	41,637,147
Claims paid	5,490,080	10,974,178	13,070,697	13,892,197
Dividend	-	4,930,618	9,535,168	19,233,370
Interest income	869,583	1,138,419	1,962,103	2,244,753

18. Contingent liabilities

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Letters of guarantee	9,671,380	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.

19. 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).

20. 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 six months period ended 30 June 2020 (continued)

20. Segment information (continued)

	General insurance		Life assurance		Total	
	For the six months period ended		For the six months period ended		For the six months period ended	
	30 June		30 June		30 June	
	2020	2019	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED	AED	AED
Underwriting income						
Gross written premium	304,834,703	285,098,002	28,019,000	25,698,546	332,853,703	310,796,548
Reinsurance ceded	(176,057,423)	(144,931,980)	(11,016,000)	(10,725,198)	(187,073,423)	(155,657,178)
Net premium	128,777,280	140,166,022	17,003,000	14,973,348	145,780,280	155,139,370
Change in unearned premium	(16,553,870)	(23,250,764)	(2,755,746)	(1,009,036)	(19,309,616)	(24,259,800)
Net earned premium		116,915,258	14,247,254	13,964,312	126,470,664	130,879,570
Reinsurance commission	112,223,410		20,422,127	16,802,938	2,512,534	2,029,598
	20,422,127	16,802,938	2,512,534	2,029,598	22,934,661	18,832,536
Total underwriting income	132,645,537	133,718,196	16,759,788	15,993,910	149,405,325	149,712,106
Underwriting expenses						
Net incurred claims	(62,543,755)	(69,112,932)	(21,319,037)	(12,624,116)	(83,862,792)	(81,737,048)
Commission incurred	(14,689,079)	(22,435,102)	(1,485,500)	(1,100,906)	(16,174,579)	(23,536,008)
Administrative expenses	(30,756,403)	(26,126,387)	(2,880,158)	(3,039,867)	(33,636,561)	(29,166,254)
Net underwriting expenses	(107,989,237)	(117,674,421)	(25,684,695)	(16,764,889)	(133,673,932)	(134,439,310)
Profit/(loss) before movement in life assurance fund	24,656,300	16,043,775	(8,924,907)	(770,979)	15,731,393	15,272,796
Movement in life assurance fund and payable to policyholders of unit linked products	-	-	4,267,185	(8,594,267)	4,267,185	(8,594,267)
(Decrease)/increase in fair value of investment held for unit linked products	-	-	(2,442,946)	5,232,681	(2,442,946)	5,232,681
Net income from investments life	-	-	1,255,794	2,933,919	1,255,794	2,933,919
Underwriting profit for the period	24,656,300	16,043,775	(5,844,874)	(1,198,646)	18,811,426	14,845,129
Income from investment properties (net)					2,348,093	2,205,015
Net income from investment securities					(11,994,052)	14,983,193
Unallocated expenses					(6,982,015)	(8,519,875)
Profit for the period					2,183,452	23,513,462

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

20. Segment information (continued)

	General insurance		Life assurance		Total	
	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Assets						
Property and equipment	26,379,988	26,953,580	-	-	26,379,988	26,953,580
Intangible assets	3,104,985	3,518,768	-	-	3,104,985	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	108,289,585	75,768,019	101,142,746	83,696,448	209,432,331	159,464,467
Reinsurance contract assets	273,771,687	231,139,633	17,456,205	24,059,974	291,227,892	255,199,607
Insurance and other receivables	232,224,597	147,598,477	17,410,267	4,400,730	249,634,864	151,999,207
Bank balances and cash	254,406,129	300,341,040	55,764,946	86,648,690	310,171,075	386,989,730
Total assets	1,047,885,043	935,027,589	231,299,616	238,331,294	1,279,184,659	1,173,358,883
Liabilities						
Provision for end of service indemnity	12,076,125	11,256,083	-	-	12,076,125	11,256,083
Insurance contract liabilities	476,970,112	403,635,573	101,158,726	108,701,759	578,128,838	512,337,332
Insurance and other payables	195,942,917	140,739,050	11,229,470	10,768,671	207,172,387	151,507,721
Payable to policyholders of unit linked products	-	-	38,010,133	41,118,895	38,010,133	41,118,895
Total liabilities	684,989,154	555,630,706	150,398,329	160,589,325	835,387,483	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					1,470,985	254,852
Retained earnings					142,417,967	156,975,776
Total equity					443,797,176	457,138,852
Total liabilities and equity					1,279,184,659	1,173,358,883

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

21. 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 June 2020 (unaudited)

	FVTPL AED	FVOCI AED	Amortised cost AED	Total AED
Financial assets:				
Investment securities	146,299,688	48,149,239	14,983,404	209,432,331
Insurance and other receivables	-	-	215,049,863	215,049,863
Bank balances and cash	-	-	310,171,075	310,171,075
	<u>146,299,688</u>	<u>48,149,239</u>	<u>540,204,342</u>	<u>734,653,269</u>
Financial liabilities:				
Insurance and other payables	-	-	187,165,939	187,165,939
Payable to policyholders of unit-linked products	-	-	38,010,133	38,010,133
	<u>-</u>	<u>-</u>	<u>225,176,072</u>	<u>225,176,072</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	-	-	139,688,200	139,688,200
Payable to policyholders of unit-linked products	-	-	41,118,895	41,118,895
	<u>-</u>	<u>-</u>	<u>180,807,095</u>	<u>180,807,095</u>

22. 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 six months period ended 30 June 2020 (continued)****22. 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 six months period ended 30 June 2020 (continued)**

22. 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		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED				
FVOCI						
Quoted debt securities	48,149,239	11,285,852	Level 1	Quoted bid prices in an active market.	None.	N/A
FVTPL						
Quoted equity securities	90,828,976	65,768,018	Level 1	Quoted bid prices in an active market.	None.	N/A
Quoted debt securities	7,460,579	7,099,202	Level 1	Quoted bid prices in an active market.	None.	N/A
Unit linked products	38,010,133	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.

23. Seasonality of results

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

24. Approval of the condensed interim financial information

The condensed interim financial information were approved by the Board of Directors and authorised for issue on 9 August 2020.