Insurance House P.S.C.

Condensed Interim Financial Statements
(Un-audited)
For the three months period ended 31 March 2020

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دار التأمين
INSURANCE HOUSE
P.S.C - ش.م.ع

Chairman's Report for the three months ended 31 March 2020

On behalf of the Board of Directors, I am pleased to present the condensed interim financial statements of Insurance House PSC (IH) as at 31 March 2020 and the results of its operations for the three months ended 31 March 2020.

IH has registered a Net Profit of AED 3.14 million for the three months ended 31 March 2020.

The year 2020 started on a brisk note, with Gross Premiums written during the first three months of 2020 outpacing the corresponding period of the previous year by 18.90% at AED 95.89 million compared to AED 80.65 million logged during the same period of the previous year. Net Premiums Earned during Q1 2020 were even more impressive, notching a 25.65% increase over the corresponding period of the previous year at AED 52.58 million compared to AED 41.84 million in Q1 2019. However, Net Claims Incurred during Q1 2020 weighed in higher at AED 37.35 million compared to AED 23.54 million during the same period in the previous year. This is primarily because of the change in product mix, which resulted in a higher proportion of insurance classes in comparison to others. The management is consciously working to rebalance this product mix over the coming quarters. As a result of the above, Net Underwriting Income for Q1 2020 was higher by 8.61% at AED 14.95 million compared to AED 13.77 million registered during the same period last year.

The impact of COVID 19 combined with sharp decline in oil prices resulted in a dismal performance of local and global stock markets and all risk assets in general. As a result, investment activity in Q1 2020 resulted in a loss of AED 0.69 million compared to a profit of AED 1.84 million in the corresponding period of the previous year. This is in addition to significant marked to market reductions accounted through Other Comprehensive Income, which are considered to be transient in nature. We remain optimistic that local & global stock and bond

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Public Joint Stock Company and the share capital is AED 118, 780,500 شركة مساهمة عامة برأس مال وقدره ١١٨،٧٨٠،٥٠٠ درهم إماراتي

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markets will bounce back in the second half of 2020, as the world adapts to the new realities of a post COVID 19 era.

General & administrative expenses were broadly in line with our expenditure budget and we continue to maintain a close vigil to ensure that expenses are on a tight leash.

The liquidity position of the Company continues to be extremely robust with Cash & cash equivalents as of 31 March 2020 accounting for 18.86% of Total Assets. Balance Sheet leverage is modest at just 3.19 times of Shareholders' Equity, providing a sound platform for accelerated growth in the near term.

It is still early days for a comprehensive assessment of the full impact of Covid 19 on the operations of the Company for the remainder of 2020. There are possibilities of potential decline in Claim trends, which may compensate for the anticipated lower volumes of business underwritten across all business lines. Our strategy is to compete on the basis of innovative product offerings and superior service quality. We continue to remain focused on improving our digital service delivery capabilities across all business lines. Going forward, profits from core insurance activities will be driven by improved digital service delivery capabilities, continuous fine-tuning of risk underwriting techniques and enhanced claims management processes.

On behalf of the Board of Directors,

Mohammed Abdulla Jumaa Alqubaisi
Chairman

Abu Dhabi
20 May 2020

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Review report on the condensed interim financial information
To the Shareholders of Insurance House. P.S.C.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Insurance House P.S.C. (the "Company") as at 31 March 2020 and the related condensed interim income statement, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity and the condensed interim statement of cash flows for the three months period then ended and the related explanatory notes. Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on the condensed interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not present fairly, in all material respects, the financial position of the Company as at 31 March 2020, and its financial performance and its cash flows for the three months period then ended in accordance with IAS 34 "Interim Financial Reporting".

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GRANT THORNTON
Audit And Accounting Limited

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
Date: 20 May 2020

Condensed Interim Statement of Financial Position
As at 31 March 2020

	Notes	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
ASSETS			
Property and equipment	4	**41,690,280**	40,008,043
Investments carried at fair value through other comprehensive income (FVTOCI)	5	**50,034,149**	59,996,256
Investments carried at fair value through profit and loss (FVTPL)	5	**10,939,331**	13,607,267
Statutory deposit	6	**6,000,000**	6,000,000
Premium and insurance balances receivable	7	**96,957,809**	67,552,199
Reinsurance contract assets	13	**74,137,848**	46,109,459
Other receivables and prepayments	8	**28,340,620**	26,116,336
Cash and cash equivalents	9	**71,628,088**	74,964,225
TOTAL ASSETS		**379,728,125**	334,353,785
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	**118,780,500**	118,780,500
Tier 1 capital	10	**15,000,000**	15,000,000
Accumulated losses		**(10,835,592)**	(8,920,743)
Board of Directors' proposed remuneration		**-**	1,454,955
Cumulative change in fair value through other comprehensive income		**(9,096,572)**	865,535
Statutory reserve	10	**5,203,087**	5,203,087
Total shareholders' equity		**119,051,423**	132,383,334
LIABILITIES			
Provision for employees' end-of-service benefits	11	**2,880,572**	2,777,662
Insurance liability			
Insurance and other payables	12	**55,604,018**	45,451,722
Technical provisions			
Unearned premiums reserve	13	**128,742,669**	94,889,993
Claims under settlement reserve	13	**47,824,171**	33,791,506
Incurred but not reported claims reserve	13	**23,898,779**	23,477,514
Unallocated loss adjustment expenses reserve	13	**1,726,493**	1,582,054
Total technical provisions		**202,192,112**	153,741,067
TOTAL LIABILITIES		**260,676,702**	201,970,451
TOTAL EQUITY AND LIABILITIES		**379,728,125**	334,353,785

These condensed interim financial statements were approved by the Board of Directors on 20 May 2020 and signed on their behalf by:

Mr. Mohammed Othman	**Mr. Mohammed Alqubaisi**
Chief Executive Officer	**Chairman**

Condensed Interim Income Statement
For the period ended 31 March 2020

	Notes	**(Un-audited) Three months period ended 31 March 2020 AED**	(Un-audited) Three months period ended 31 March 2019 AED
Gross premiums	19	**95,894,181**	80,649,481
Reinsurance share of premiums		**(27,746,740)**	(23,450,205)
Reinsurance share of ceded business premiums		**(2,680,093)**	(3,431,440)
Net premiums		**65,467,348**	53,767,836
Net transfer to unearned premium reserve		**(12,891,734)**	(11,925,793)
Net premiums earned		**52,575,614**	41,842,043
Commission earned		**5,032,073**	3,374,824
Commission paid		**(6,541,212)**	(4,002,209)
Gross underwriting income		**51,066,475**	41,214,658
Gross claims paid		**(47,585,431)**	(36,991,962)
Reinsurance share of insurance claims and loss adjustment		**17,765,656**	11,786,822
Net claims paid		**(29,819,775)**	(25,205,140)
(Increase)/Decrease in claims under settlement reserve		**(14,032,665)**	442,185
Increase/(Decrease) in reinsurance share of claims under settlement reserve		**8,034,955**	(855,506)
(Increase)/Decrease in incurred but not reported claims reserve – net		**(1,388,773)**	1,969,150
(Increase)/Decrease in unallocated loss adjustment expenses reserve – net		**(144,439)**	110,475
Net claims incurred		**(37,350,697)**	(23,538,836)
Other underwriting income		**3,175,960**	232,215
Other underwriting and claim handling expenses		**(1,938,671)**	(4,139,971)
Net underwriting income		**14,953,067**	13,768,066
(Loss) / income from investments - net	14	**(689,761)**	1,776,204
Income from investment properties - net		**-**	59,743
Other income		**18,315**	-
Gross income		**14,281,621**	15,604,013
General and administrative expenses	15	**(11,140,830)**	(10,253,861)
Net profit for the period		**3,140,791**	5,350,152
Earnings per share:			
Basic and diluted earnings per share	16	**0.03**	0.05

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Comprehensive Income
For the period ended 31 March 2020

	Notes	**(Un-audited) Three months period ended 31 March 2020 AED**	(Un-audited) Three months period ended 31 March 2019 **AED**
Net profit for the period		**3,140,791**	5,350,152
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Net unrealized (loss) / gain from investments at fair value through other comprehensive income – equity securities	5	**(8,885,670)**	1,937,051
Items that will be reclassified subsequently to profit or loss			
Net unrealized loss from investments at fair value through other comprehensive income – debt securities	5	**(1,076,437)**	-
Directors' remuneration		**-**	(839,000)
Total comprehensive (loss) / income for the period		**(6,821,316)**	6,448,203

Condensed Interim Statement of Changes in Equity
For the period ended 31 March 2020

	Share capital AED	Tier 1 capital AED	Treasury shares	Accumulated losses AED	Proposed Board of Directors' Remuneration	Investment revaluation reserve AED	Statutory reserve AED	Total equity AED
Balance as at 1 January 2020 (Audited)	118,780,500	15,000,000	-	(8,920,743)	1,454,955	865,535	5,203,087	132,383,334
Net profit for the period	-	-	-	3,140,791	-	-	-	3,140,791
Other comprehensive income for the period	-	-	-	-	-	(9,962,107)	-	(9,962,107)
Tier 1 Capital accrued coupon	-	-	-	(309,375)	-	-	-	(309,375)
Dividends declared (Note 10)	-	-	-	(4,751,220)	-	-	-	(4,751,220)
Payment of Board of Directos' remuneration	-	-	-	4,955	(1,454,955)	-	-	(1,450,000)
Balance as at 31 March 2020 (Un-audited)	**118,780,500**	**15,000,000**	**-**	**(10,835,592)**	**-**	**(9,096,572)**	**5,203,087**	**119,051,423**
Balance as at 1 January 2019 (Audited)	118,780,500	-	-	(19,026,036)	-	(4,242,730)	3,586,470	99,098,204
Tier 1 Capital	-	15,000,000	-	-	-	-	-	15,000,000
Dividends declared	-	-	-	(1,187,805)	-	-	-	(1,187,805)
Net profit for the period	-	-	-	5,350,152	-	-	-	5,350,152
Other comprehensive income for the period	-	-	-	(839,000)	-	1,937,051	-	1,098,051
Balance as at 31 March 2019 (Un-audited)	118,780,500	15,000,000	-	(15,702,689)	-	(2,305,679)	3,586,470	119,358,602

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Condensed Interim Statement of Cash Flows
For the period ended 31 March 2020

	Notes	**(Un-audited) Three months period ended 31 March 2020 AED**	(Un-audited) Three months period ended 31 March 2019 AED
OPERATING ACTIVITIES			
Net profit for the period		**3,140,791**	5,350,152
Adjustments for non-cash items:			
Depreciation of property and equipment	4	**484,097**	359,808
Changes in fair value for investment carried at FVTPL	14	**2,667,936**	110,429
Gain on sale of investments carried at FVTPL		**-**	(164,427)
Interest and dividend income	14	**(1,978,175)**	(1,722,206)
Provision for employees' end-of-service benefits	11	**123,055**	208,429
Reversal of expected credit loss	15	**(539,552)**	-
Operating profit before changes in working capital		**3,898,152**	4,142,185
Changes in working capital			
Premium and insurance balances receivables		**(28,866,058)**	(29,489,758)
Reinsurance contract assets		**(28,028,389)**	(15,257,361)
Technical provisions		**48,451,045**	25,516,850
Other receivables and prepayments		**(3,947,249)**	(3,988,069)
Insurance and other payables		**5,401,076**	13,296,655
Net cash flow used in operations		**(3,091,423)**	(5,779,498)
Employees' end-of-service benefits paid	11	**(20,145)**	-
Directors' remuneration paid		**(1,450,000)**	(839,000)
Net cash flow used in operating activities		**(4,561,568)**	(6,618,498)
INVESTING ACTIVITIES			
Payments for purchase of property and equipment	4	**(443,369)**	(30,958)
Purchase of investments carried at FVTOCI	5	**-**	(5,101,302)
Proceeds from sale of investments carried at FVTPL	5	**-**	3,095,276
Interest and dividend received		**1,978,175**	1,722,206
Net cash generated from/ (used in) investing activities		**1,534,806**	(314,778)
FINANCING ACTIVITIES			
Tier 1 Capital		**(309,375)**	15,000,000
Dividends paid		**-**	(1,187,805)
Net cash (used in)/generated from financing activities		**(309,375)**	13,812,195
Net change in cash and cash equivalents		**(3,336,137)**	6,878,919
Cash and cash equivalents, beginning of the period		**74,964,225**	58,986,672
Cash and cash equivalents, end of the period	9	**71,628,088**	65,865,591

Notes to the condensed interim financial statements
For the period ended 31 March 2020

1 Legal status and activities

Insurance House P.S.C. (the "Company") is a Public Joint - Stock company registered and incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is engaged in providing all classes of non-life insurance solutions in accordance with UAE Federal Law No.6 of 2007. The Company was established on 8 December 2010 and commenced its operations on 10 April 2011. The Company performs its activities through its head office in Abu Dhabi and branches located in Al Samha, Dubai - Sheikh Zayed Road, Dubai – Business Bay, Sharjah, Al Mussafah, Mahawi and Motor World.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The registered office of the Company is P.O. Box 129921 Abu Dhabi, United Arab Emirates.

The range of products and services offered by the company include but not limited to accidents and civil responsibility insurance, land, marine and air transportation, dangers insurance, health insurance, onshore and offshore oil and gas fields and facilities services.

2 General Information

2.1 Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "*Interim Financial Reporting*" as issued by the International Accounting Standard Board (IASB), and also comply with the applicable requirements of the laws in the UAE.

On 28 December 2014, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for Insurance Companies which came into force on 29 January 2015. The Company is in compliance with the Financial Regulations for Insurance Companies as at 31 March 2020.

2.2 Basis of preparation

These condensed interim financial statements are for the three months period ended 31 March 2020 and are presented in Arab Emirate Dirham (AED), which is the functional and presentational currency of the Company.

The condensed interim financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investment securities have been disclosed in the condensed interim financial statements.

These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and do not include all of the information required in annual financial statements in accordance with IFRSs and should be read in conjunction with the financial statements for the year ended 31 December 2019. In addition, the results for the three months period ended 31 March 2020 are not necessarily an indication of the results that may be expected for the financial year ending 31 December 2020.

These condensed interim financial statements have been prepared on a consistent basis with the accounting policies and estimates adopted in the Company's most recent annual financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective 1 January 2020.

2 General information (continued)

2.3 Standards, interpretations and amendments to existing standards

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

Other pronouncements

Other accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

- Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Definition of a Business – Amendments to IFRS 3 Business Combinations
- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments *(Amendments regarding pre-replacement issues in the context of the IBOR reform)*
- IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

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

Standard not yet effective and has not been adopted early by the Company

Standard number	Title	Effective date
IFRS 17	Insurance Contracts	1 January 2023

Management anticipates that the above relevant standard will be adopted in the Company's accounting policies for the first year beginning after the effective date of the standard. Information on the relevant new standard that is not yet effective has been provided below. The Company's management is currently assessing the impact of IFRS 17 on its financial statements.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of IFRS 17 are summarised below.

2 General information (continued)

2.3 Standards, interpretations and amendments to existing standards (continued)

Standard not yet effective and has not been adopted early by the Company (continued)

Scope

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

Recognition, measurement and presentation of insurance contracts

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (nondistinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

2 General information (continued)

2.3 Standards, interpretations and amendments to existing standards (continued)

Standard not yet effective and has not been adopted early by the Company (continued)

Transition

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 Financial Instruments and IFRS 15 on or before the date it first applies IFRS 17. The Company plans to adopt the standard on the required effective date and is in the process of evaluating the potential impact on the financial statements.

3 Summary of significant accounting policies

3.1 Accounting convention

These condensed interim financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are described in more detail in the accounting policies.

3.2 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

The rates of depreciation used are based on the following estimated useful lives of the assets:

	Years
Computers and software	3 – 4
Office equipment and decoration	4
Motor vehicles	4
Building	30

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the assets and are recognised in profit or loss.

3.3 Premiums

Gross premiums written reflect amounts recognised during the period to policyholders or other insurers for insurance contracts and exclude any fees and other amounts calculated based on premiums. These are recognised when the underwriting process is complete.

Premiums include any adjustments in respect to the business written in prior accounting periods. The earned portion is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis below.

3 Summary of significant accounting policies (continued)

3.4 Unearned Premium Reserve

Unearned Premium Reserve (UPR) represents that portion of premiums earned, gross of reinsurance, which relates to the period of insurance subsequent to the statement of financial position date and is mainly computed using a linear method based on the outstanding period from the date of statement of financial position up to the date of the maturity of the policy based on actuarial estimates obtained from an independent actuary in accordance with the Financial Regulations for Insurance Companies issued by the Insurance Authority, U.A.E.

3.5 Claims

Claims incurred comprise actual claims and other related costs paid and incurred in the period, and movement in outstanding claims. Claim handling costs are recognised at the time of registering the claims.

On account of uncertainties involved in non-motor claim recoveries, salvage and subrogation rights are recognised only at the time of actual recovery. For motor claim recoveries, salvage is accounted for at the time of registering the claims.

Provision for outstanding claims represents the estimated settlement values of all claims notified, but not settled at the statement of financial position date on the basis of individual case estimates. The reinsurers' portion towards the above outstanding claims is classified as reinsurance contract assets and shown as current assets in the statement of financial position.

3.6 Provision for IBNR

Provision for Incurred but Not Reported ("IBNR") claims is made at the statement of financial position date based on an actuarial estimate obtained from an independent actuary in accordance with the Financial Regulations for Insurance Companies issued by the Insurance Authority U.A.E.

3.7 Provision for ULAE

Provision for Unallocated Loss Adjustment Expenses (ULAE) which cannot be allocated to specific claims, is made at the statement of financial position date based on actuarial estimates obtained from an independent actuary in accordance with the Financial Regulations for Insurance Companies issued by the Insurance Authority, U.A.E.

3.8 Provision for URR

Unexpired risk reserve (URR) represent the portion of the premium subsequent to the reporting date and where the premium is expected to be insufficient to cover anticipated claims, expenses and a reasonable profit margin.

3.9 Liability adequacy test

All recognised insurance liabilities including provision for outstanding claims are subject to liability adequacy test at each reporting date. This involves comparison of current estimates of all contractual cash flows attached to these liabilities with their carrying amounts. Estimates of contractual cash flows include expected claim handling costs and recoveries from third parties. Any deficiency in carrying amounts is charged to the income statement by establishing a provision for losses arising from the liability adequacy test.

3 Summary of significant accounting policies (continued)

3.10 Reinsurance premium

Ceded reinsurance premiums are accounted for in the same accounting periods in which the premiums for the related direct insurance are recorded and the unearned portion is calculated using a linear basis in accordance with reinsurance arrangements in place.

3.11 Reinsurance assets

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

3.12 Financial instruments

a) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus, for an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date.

b) Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, the Company classifies its financial assets into the following categories:

i) Financial assets at amortised cost

Financial assets at amortised cost are those financial assets for which:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Financial assets at amortised cost comprise statutory deposits, cash and cash equivalents, due from related parties and most other receivables.

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

b) Classification and subsequent measurement of financial assets (continued)

ii) Financial assets at fair value through other comprehensive income ('FVTOCI')

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable financial data of investees.

Gains or losses on subsequent measurement

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to income statement, but is reclassified to retained earnings.

iii) Financial assets at fair value through profit or loss ('FVTPL')

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Debt instruments that do not meet the amortised cost criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the income statement. Fair value is determined in the manner described in note 5.

c) Classification and subsequent measurement of financial liabilities

Financial liabilities comprise amounts due to related parties and most other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

d) Impairment

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued;
- loan commitments issued; and
- No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

f) Hedge accounting

IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

g) Derecognition

The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished.

3.13 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from insurance brokers, re-insurers and insurance contract holders.

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and realises the impairment loss in the income statement.

3.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) is recognised in the period in which the service is rendered.

A provision for employees' end-of-service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the U.A.E. Labour Law and is reported as separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in the U.A.E. Labour Law. The expected costs of these benefits are accrued over the period of employment.

3.15 Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

3 Summary of significant accounting policies (continued)

3.16 Provisions, contingent liabilities and contingent assets (continued)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

3.17 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other details for reserves are mentioned in note 10 to the condensed interim financial statements.

Accumulated losses include all current and prior period retained profits or losses.

Dividend payable to equity shareholders is included in other liabilities only when the dividend has been approved in a general assembly meeting prior to the reporting date.

3.18 Leases

The Company as a Lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

3 Summary of significant accounting policies (continued)

3.18 Leases (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

3.19 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits which have original maturities of less than 3 months and are free from lien.

3.20 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the income statement. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.21 Segment reporting

Under IFRS 8 "Operating Segments", reported segments' profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies used by the Company for segment reporting under IFRS 8 are the same as those used in its financial statements.

3 Summary of significant accounting policies (continued)

3.22 Value Added Tax

In accordance with the Federal Decree-Law No. (8) of 2017, Value Added Tax (VAT) has been introduced from 1 January 2018 at a rate of 5% of taxable supplies. With this regard, the Company collects VAT on certain premiums and pays VAT on certain expenses incurred. The difference between input and output tax net is payable to the Federal Tax Authority.

3.23 Insurance Contracts

Insurance contract is an agreement whereby one party called the insurer undertakes, for a consideration paid by the other party called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event. The Company may also transfer insurance risk in insurance contracts through its reinsurance agreements to hedge a greater possibility of claims occurring than expected.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or have expired.

3.24 General and administrative expenses

Costs and expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

3.25 Critical accounting estimates and judgements in applying accounting policies

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Outstanding claims, IBNR, ULAE, URR and UPR

The estimation of the ultimate liability (outstanding claims, IBNR, ULAE and URR) arising from claims and UPR made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events.

Fair value of unquoted securities

Fair value of unquoted securities has been determined by the management based on Earnings Multiple and Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of respective non-public investees. Actual results may substantially be different.

3 Summary of significant accounting policies (continued)

3.25 Critical accounting estimates and judgements in applying accounting policies (continued)

Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Company while determining the impact assessment, are:

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company's existing risk management processes.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

When measuring ECL, the Company must consider the maximum contractual period over which the Company is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Company is exposed to credit risk and where the credit losses would not be mitigated by management action.

4 Property and equipment

	Office equipment and decoration AED	Computers and software AED	Motor vehicles AED	Building AED	Land AED	Capital work in progress AED	Total AED
Cost							
At 1 January 2019	5,753,371	2,906,653	302,143	-	-	-	8,962,167
Additions during the year	254,587	284,140	-	-	-	-	538,727
Transfers during the year	-	-	-	28,571,039	10,390,000	-	38,961,039
At 31 December 2019 (Audited)	6,007,958	3,190,793	302,143	28,571,039	10,390,000	-	48,461,933
Additions during the period	48,830	225,971	-	-	-	168,568	443,369
Transfers during the period	-	(36,725)	-	-	-	36,725	-
Reclassification during the period	-	-	-	-	-	1,722,965	1,722,965
At 31 March 2020 (Un-audited)	**6,056,788**	**3,380,039**	**302,143**	**28,571,039**	**10,390,000**	**1,928,258**	**50,628,267**
Accumulated Depreciation							
At 1 January 2019	4,043,584	2,443,152	137,678	-	-	-	6,624,414
Charge for the year	703,163	252,555	75,335	798,423	-	-	1,829,476
At 31 December 2019 (Audited)	4,746,747	2,695,707	213,013	798,423	-	-	8,453,890
Charge for the period	151,254	76,572	18,832	237,439	-	-	484,097
At 31 March 2020 (Un-audited)	**4,898,001**	**2,772,279**	**231,845**	**1,035,862**	**-**	**-**	**8,937,987**
Carrying amount							
At 31 March 2020 (Un-audited)	**1,158,787**	**607,760**	**70,298**	**27,535,177**	**10,390,000**	**1,928,258**	**41,690,280**
At 31 December 2019 (Audited)	1,261,211	495,086	89,130	27,772,616	10,390,000	-	40,008,043

5 Investments in financial assets

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Investments carried at FVTOCI		
Quoted equity securities	**29,120,193**	38,005,863
Quoted Tier 1 perpetual securities	**13,963,956**	15,040,393
Unquoted Tier 1 perpetual securities	**6,950,000**	6,950,000
	50,034,149	59,996,256
Investments carried at FVTPL		
Quoted equity securities	**8,939,331**	11,607,267
Unquoted debt securities	**2,000,000**	2,000,000
	10,939,331	13,607,267

The movement in the investments in financial assets is as follows:

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Investments carried at FVTOCI		
Fair value at 1 January	**59,996,256**	61,532,290
Purchases	**-**	12,034,256
Disposals	**-**	(17,817,189)
Change in fair value	**(9,962,107)**	4,246,899
Fair value at the end of the reporting period / year	**50,034,149**	59,996,256
Investments carried at FVTPL		
Fair value at 1 January	**13,607,267**	19,205,049
Purchases	**-**	2,094,970
Disposals	**-**	(8,095,029)
Change in fair value taken to profit and loss (note 14)	**(2,667,936)**	402,277
Fair value at the end of the reporting period / year	**10,939,331**	13,607,267

The geographical distribution of investments is as follows:

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Quoted UAE equity securities	**37,204,829**	47,846,197
Quoted outside UAE debt securities	**13,963,956**	15,040,393
Unquoted UAE debt securities	**8,950,000**	8,950,000
Quoted outside UAE equity securities	**854,695**	1,766,933
	60,973,480	73,603,523

5 Investments in financial assets (continued)

Management considers that the fair values of financial assets and financial liabilities that are not measured at fair value approximates to their carrying amounts as stated in the condensed interim financial statements and are classified as level 3 in accordance with the IFRS 13 hierarchy.

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

- Level 1 – fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value measurements 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 derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Management has determined the fair value of these unquoted investments by applying an appropriate risk adjusted liquidity discount on the net assets of the investee companies.

	Note	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 March 2020 (Un-audited)					
Investments at FVTOCI					
Investment in quoted securities	(a)	**29,120,193**	**-**	**-**	**29,120,193**
Quoted Tier 1 perpetual securities		**13,963,956**	**-**	**-**	**13,963,956**
Unquoted Tier 1 perpetual securities		**-**	**-**	**6,950,000**	**6,950,000**
		43,084,149	**-**	**6,950,000**	**50,034,149**
Investments at FVTPL					
Investment in quoted equity securities	(a)	**8,939,331**	**-**	**-**	**8,939,331**
Unquoted Tier 1 perpetual securities		**-**	**-**	**2,000,000**	**2,000,000**
		8,939,331	**-**	**2,000,000**	**10,939,331**
31 December 2019 (Audited)					
Investments at FVTOCI					
Investment in quoted securities	(a)	38,005,863	-	-	38,005,863
Quoted Tier 1 perpetual securities		15,040,393	-	-	15,040,393
Unquoted Tier 1 perpetual securities		-	-	6,950,000	6,950,000
		53,046,256	-	6,950,000	59,996,256
Investments at FVTPL					
Investment in quoted equity securities	(a)	11,607,267	-	-	11,607,267
Unquoted Tier 1 perpetual securities		-	-	2,000,000	2,000,000
		11,607,267	-	2,000,000	13,607,267

(a) Fair values have been determined by reference to the quoted prices at the reporting date.

During the period, there were no transfers between Level 1 and Level 2 fair value measurement and no transfers into or out of Level 3 fair value measurements.

6 Statutory deposit

In accordance with the requirement of Federal Law No. 6 of 2007, concerning Insurance Companies and Agents, the Company maintains a bank deposit amounting to AED 6,000,000 as of 31 March 2020 (31 December 2019: AED 6,000,000) and it cannot be utilized without the consent of the UAE Insurance Regulatory Authority.

7 Premium and insurance balances receivable

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Due from policyholders	**78,887,854**	46,879,288
Due from brokers and agencies	**16,705,359**	15,600,046
Due from insurance and reinsurance companies	**6,365,392**	9,317,032
Due from related parties (Note 18)	**1,496,556**	2,756,857
	103,455,161	74,553,223
Expected credit loss	**(6,583,692)**	(7,123,244)
	96,871,469	67,429,979
Refundable deposits and other advances	**86,340**	122,220
Premium and insurance balances receivables – net	**96,957,809**	67,552,199

Inside UAE:

In accordance with the Board of Directors' Decision Number 25 of 2014 pertinent to the Financial Regulations for Insurance Companies, the company has categorized the insurance receivables as follows:

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Due from policyholders	**78,887,854**	46,879,288
Due from brokers and agencies	**16,705,359**	15,600,046
Due from insurance and reinsurance companies	**1,497,911**	1,054,612
Total	**97,091,124**	63,533,946

The ageing for the insurance receivables inside UAE is as follows:

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
0 – 30 Days	**8,354,242**	4,084,747
31 - 90 days	**52,625,017**	13,151,471
91 - 180 days	**22,443,568**	31,394,258
181 - 270 days	**6,889,677**	5,921,942
271 - 360 days	**1,654,658**	2,010,163
More than 360 days	**5,123,962**	6,971,365
Total	**97,091,124**	63,533,946

7 Premium and insurance balances receivables (continued)

Outside UAE:

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Due from insurance and reinsurance companies	**4,867,481**	8,262,420

The ageing for the insurance receivables outside UAE is as follows:

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
31-90 days	**4,867,481**	8,262,420

Expected credit loss

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Beginning balance	**(7,123,244)**	(6,663,119)
Reversal / (charge) for the period / year	**539,552**	(460,125)
Ending balance	**(6,583,692)**	(7,123,244)

8 Other receivables and prepayments

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Deferred acquisition costs	**16,897,247**	14,448,662
Prepayments	**5,960,005**	7,321,015
Rent receivable	**2,353,778**	2,353,778
Accrued interest income	**1,250,913**	1,101,363
Dividend receivable	**987,159**	-
Guarantee deposits	**607,250**	607,250
Other advances	**284,268**	284,268
	28,340,620	26,116,336

9 Cash and cash equivalents

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Cash on hand	**5,000**	5,000
Cash at banks - current accounts	**1,147,821**	14,135,786
Cash at bank - call account	**29,518,017**	40,049,976
Fixed deposits - short term	**40,957,250**	20,773,463
	71,628,088	74,964,225

i. Cash at banks includes current accounts and call account balances amounting to AED 11,185,021 as of 31 March 2020 held with two financial institutions which are related parties (call account balances are interest bearing) (31 December 2019: AED 22,150,642).

ii. Bank fixed deposits as of 31 March 2020 amounting to AED 40,957,250 (31 December 2019: AED 20,773,463) carry interest rate of 2.5% - 3.5% (31 December 2019: 3.5%) and mature within 3 months.

10 Capital and reserves

Share capital

The share capital of the company as per Articles of Association is AED 120,000,000 divided into 120,000,000 shares of AED 1 par value per share. As at 31 March 2020 and 31 December 2019, the Company has 118,780,500 shares outstanding and issued of AED 1 par value per share.

Tier 1 capital

On 14 January 2019, the Company's Board of Directors approved the issuance of Tier 1 perpetual bonds non-convertible into shares amounting to AED 15,000,000 for the purpose of strengthening the Company's capital adequacy and assets and to support its financial position to achieve the Company's growth strategy and to be compatible with the instructions of the Insurance Authority.

Statutory reserve

In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

Dividend declaration

On 25 March 2020, the Board of Directors declared dividends to shareholders at a rate of 4% of the share capital which was paid on 5 April 2020.

11 Provision for employees' end-of-service benefits

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Balance as at 1 January	**2,777,662**	2,577,585
Charges during the period / year	**123,055**	280,843
Benefits paid during the period / year	**(20,145)**	(80,766)
Balance at the end of the period / year	**2,880,572**	2,777,662

12 Insurance and other payables

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Payables-inside UAE	**45,894,379**	36,388,131
Payables-outside UAE	**9,709,639**	9,063,591
	55,604,018	45,451,722

In accordance with the Board of Directors' Decision Number 25 of 2014 pertinent to the Financial Regulations for Insurance Companies, the Company has categorized the insurance payables as follows:

Inside UAE:

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Due to insurance and reinsurance companies	**16,511,929**	16,296,783
Due to brokers and agents	**7,101,382**	4,840,464
Due to policyholders	**6,217,843**	4,179,711
Dividends payable	**4,751,220**	-
Claims payable	**3,752,500**	776,868
Related party payables (Note 18)	**1,845,014**	1,000,000
Unearned commission on premium ceded	**1,772,327**	2,664,562
VAT output tax payable (Net)	**352,134**	2,942,986
Due to reinsurance companies – inside UAE	**195,361**	59,531
Other accrued expenses	**3,394,669**	3,627,226
	45,894,379	36,388,131

12 Insurance and other payables (continued)

Outside UAE:

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Funds held for reinsurers	**6,827,792**	7,281,246
Due to insurance and reinsurance companies	**2,881,847**	1,782,345
	9,709,639	9,063,591

13 Technical provisions

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Insurance liabilities – gross		
Unearned premiums reserve	**128,742,669**	94,889,993
Claims under settlement reserves	**47,824,171**	33,791,506
Incurred but not reported claims reserve	**23,898,779**	23,477,514
Unallocated loss adjustment expenses reserve	**1,726,493**	1,582,054
	202,192,112	153,741,067
Reinsurance share of outstanding claims		
Unearned premiums reserve	**44,839,005**	23,878,063
Claims under settlement reserves	**23,767,191**	15,732,236
Incurred but not reported claims reserve	**5,531,652**	6,499,160
	74,137,848	46,109,459
Insurance liabilities – net		
Unearned premiums reserve	**83,903,664**	71,011,930
Claims under settlement reserves	**24,056,980**	18,059,270
Incurred but not reported claims reserve	**18,367,127**	16,978,354
Unallocated loss adjustment expenses reserve	**1,726,493**	1,582,054
	128,054,264	107,631,608

14 (Loss) / Income from investments

	(Un-audited) Three months period ended 31 March 2020 AED	(Un-audited) Three months period ended 31 March 2019 AED
Dividend income on investment in financial assets	**1,182,190**	675,821
Interest from fixed income securities	**402,991**	715,650
Interest income on fixed deposits and call account (net)	**392,994**	330,735
Realized profit from sale of investments	**-**	164,427
Unrealized loss on revaluation of investments (FVTPL)	**(2,667,936)**	(110,429)
	(689,761)	1,776,204

15 General and administrative expenses

	(Un-audited) Three months period ended 31 March 2020 AED	(Un-audited) Three months period ended 31 March 2019 AED
Salaries and related benefits	**7,751,611**	5,968,503
Management fees	**842,761**	700,000
Government fees	**650,317**	625,587
Depreciation of property and equipment (Note 4)	**484,097**	359,808
Telephone and postage	**229,376**	151,845
Bank charges	**183,542**	193,300
Expected credit loss	**(539,552)**	-
Other general expenses	**1,538,678**	2,254,818
	11,140,830	10,253,861

Expected credit loss pertains to the reversal of provision in premium and insurance balances receivable.

16 Earnings per share – Basic and diluted

Earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period as follows:

	(Un-audited) Three months period ended 31 March 2020	(Un-audited) Three months period ended 31 March 2019
Earnings (AED):		
Net profit for the period	**3,140,791**	5,350,152
Number of shares:		
Weighted average number of ordinary shares for the purpose of earnings per share	**118,780,500**	118,780,500
Earnings per share (AED):		
Basic and diluted	**0.03**	0.05

The Company does not have potentially diluted shares and accordingly, diluted earnings per share equals basic earnings per share.

17 Risk management

The Company monitors and manages the financial risks relating to its business and operations. These risks include insurance risk, capital risk, credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The Company seeks to minimize the effects of these risks by diversifying the sources of its capital. It maintains timely reports about its risk management function and monitors risks and policies implemented to mitigate risk exposures.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the estimated amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater that estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from period to period from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

17 Risk management (continued)

Insurance risk (continued)

The Company manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

Capital risk

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of UAE.
- To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the company in relation to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the period. The Company is subject to local insurance solvency regulations with which it has complied with during the period.

The table below summarizes the minimum regulatory capital of the Company and the total capital held.

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Total capital and reserves	**119,051,423**	132,383,334
Minimum regulatory capital	**100,000,000**	100,000,000

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

Key areas where the company is exposed to credit risk are:

- Re-insurers' share of insurance liabilities.
- Amounts due from reinsurers in respect of claims already paid.
- Amounts due from insurance contract holders.
- Amounts due from insurance intermediaries.
- Amounts due from banks for its balances and fixed deposits.

17 Risk management (continued)

Credit risk (continued)

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counter party limits that are reviewed and approved by the management annually.

Re-insurance is used to manage insurance risk. This does not, however, discharge the company's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the company remains liable for the payment to the policy holder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Company maintains record of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the company includes details of provisions for impairment on insurance receivables and subsequent write offs. Exposures to individual policy holders and groups of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous groups of policy holders, a financial analysis equivalent to that conducted for re-insurers is carried out by the Company.

The carrying amount of financial assets recorded in the condensed interim financial statements, which is net of expected credit loss, represents the Company's maximum exposure to credit risk for such receivables and liquid funds.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rate. The Company is exposed to interest rate risk on call account, fixed deposits with bank, margin loans, financial assets such as bonds. The interest rates are subject to periodic revisions.

Market risk

Market prices risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issue or factors affecting all instruments traded in the market.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the period. The UAE Dirham is effectively pegged to the US Dollar, thus foreign currency risk occurs only in respect of other currencies. The company maintains policies and procedures to manage the exchange rate risk exposure.

17 Risk management (continued)

Liquidity risk

The Company's Board of Directors adopted an appropriate liquidity risk management framework as the responsibility of liquidity risk management rests with the Board of Directors.

The following table shows the maturity dates of Company's financial assets and liabilities as at 31 March 2020.

	Less than 1 year AED	**More than 1 year AED**	**Total AED**
Financial assets			
Interest bearing	**71,623,088**	**28,913,956**	**100,537,044**
Non-interest bearing	**207,732,424**	**6,911,125**	**214,643,549**
	279,355,512	**35,825,081**	**315,180,593**
Financial liabilities			
Non-interest bearing	**101,303,728**	-	**101,303,728**

The following table shows the maturity dates of Company's financial assets and liabilities as at 31 December 2019.

	Less than 1 year AED	More than 1 year AED	Total AED
Financial assets			
Interest bearing	74,959,225	29,990,393	104,949,618
Non-interest bearing	160,655,082	6,971,365	167,626,447
	235,614,307	36,961,758	272,576,065
Financial liabilities			
Non-interest bearing	73,635,680	-	73,635,680

18 Related parties

Related parties comprise the major Shareholders, the Board of Directors and key management personnel of the Company and those entities in which they have the ability to control or exercise significant influence in financial and operation decisions. The transactions with these related parties are primarily financing in nature as follows:

	(Un-audited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Premium and insurance balances receivables		
Shareholder		
Finance House PJSC	**1,316,729**	2,396,175
Others		
Islamic Finance House PVT JSC	**156,553**	230,372
Mohamed Abdulla Jumaa Al Qubaisi	**22,046**	1,601
Finance House PJSC on behalf of Finance House Securities LLC	**1,228**	128,709
	1,496,556	2,756,857
Insurance and other payables		
Shareholder		
Finance House PJSC	**700,000**	-
Others		
CAPM Investment P.S.C	**1,142,761**	1,000,000
Finance House Securities LLC	**2,253**	-
	1,845,014	1,000,000
Investments		
Shareholder		
Finance House PJSC – Sukuks	**6,950,000**	6,950,000
Finance House PJSC – Quoted investments in equity	**3,479,054**	3,172,122
Others		
Finance House Securities LLC – Commercial papers	**2,000,000**	2,000,000
	12,429,054	12,122,122
Cash and cash equivalents		
Shareholder		
Cash at banks - current accounts	**94,688**	15,070,652
Cash at bank - call account	**10,655,400**	6,663,241
Others		
Cash at banks - current accounts	**434,933**	416,749
	11,185,021	22,150,642
Tier 1 capital		
Others		
Abdul Hamid Umer Taylor	**2,000,000**	2,000,000
Abdulmajeed Al Fahim	**500,000**	500,000
	2,500,000	2,500,000

Finance House P.J.S.C is one of the major shareholders of the company as of 31 March 2020. CAPM Pr.JSC Investment P.S.C, Finance House Securities L.L.C and Islamic Finance House PVT. J.S.C are subsidiaries of Finance House P.J.S.C.

18 Related parties (continued)

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as contained in IFRS.

The following are the details of significant transactions with related parties:

	(Un-audited) Three months period ended 31 March 2020 AED	(Un-audited) Three months period ended 31 March 2019 AED
Finance House PJSC		
Tier 1 capital	**-**	15,000,000
Gross premiums written	**200,722**	286,172
Interest on Sukuk	**130,021**	109,688
Management fee	**700,000**	700,000
Other outsource fees	**-**	68,750
Finance House Securities		
Purchase of shares	**-**	5,101,303
Disposal of shares	**-**	3,095,276
Gross premium written	**1,290**	-
Interest on investment in commercial paper	**25,000**	25,000
CAPM Investment PSC		
Service fees	**142,761**	-
Board of directors		
Remuneration	**1,450,000**	839,000
Gross premiums written		
Mohamed Abdulla Jumaa Al Qubaisi	**20,445**	-
Islamic Finance House	**1,221**	-

19 Segment information

The Company has two reportable segments, as described below, which are the Company's strategic business units. The business units are managed separately because they require different approach technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis.

The following summary describes the two main business segments:

- Underwriting of general insurance business – incorporating all classes of general insurance such as fire, marine, motor, medical, general accident and miscellaneous.
- Investments – incorporating investments in marketable equity securities and investment funds, development bonds, term deposits with banks and other securities.

19 Segment information (continued)

Primary segment information - business segment

	Three months period ended 31 March 2020 (Un-audited) AED			Three months period ended 31 March 2019 (Un-audited) AED		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment revenue	**95,894,181**	**(689,761)**	**95,204,420**	80,649,481	1,835,947	82,485,428
Segment result	**14,953,067**	**(689,761)**	**14,263,306**	13,768,066	1,835,947	15,604,013
Unallocated income/expense, net			**(11,122,515)**			(10,253,861)
Net profit for the period			**3,140,791**			5,350,152

a) The following is an analysis of the Company's assets, liabilities and equity by business segment:

	31-Mar-20 AED (Un-audited)			31-Dec-19 AED (Audited)		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment assets	**235,643,189**	**113,414,098**	**349,057,287**	175,439,378	104,723,645	**280,163,023**
Unallocated assets			**30,670,838**			**54,190,762**
Total assets			**379,728,125**			**334,353,785**
Segment liabilities and equity	**385,944,125**	**(9,096,572)**	**376,847,553**	330,710,588	865,535	**331,576,123**
Unallocated liabilities and equity			**2,880,572**			**2,777,662**
Total liabilities and equity			**379,728,125**			334,353,785

b) Secondary segment information – revenue from underwriting departments

The following is an analysis of the Company's revenues (gross written premiums and commission income) classified by major underwriting department.

	(Un-audited) Three months period ended 31 March 2020 AED	(Un-audited) Three months period ended 31 March 2019 AED
Non – Marine	**36,138,130**	37,278,690
Medical and personal assurance	**57,028,155**	41,371,853
Marine	**2,727,896**	1,998,938
	95,894,181	80,649,481

There were no transactions between the business segments during the period.

20 Seasonality of results and significant events affecting the operations

There was an outbreak of a global pandemic (Novel Coronavirus disease), causing significant financial and economic impact on major economies across the globe and affecting multiple industries. The Company's investment income is dependent on market conditions, its investment activities and declaration of profits by investee companies, which are of a seasonal nature. As at the date of approval of the condensed interim financial statements, management is in the process of assessing the impact of the said event on its subsequent period's financial results. Accordingly, results for the period ended 31 March 2020 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2020.

21 Commitments and contingencies

The Company's bankers have issued in the normal course of business letters of guarantee in favor of third parties amounting to AED 6.8 million (31 December 2019: AED 6.8 million).

22 Comparative figures

The Comparative figures have been reclassified in order to conform to the current presentation and improve the quality of information presented. However, there were no effect on previously reported total assets, total equity, total liability, and total comprehensive income for the period.

23 Post reporting date events

No adjusting or significant non-adjusting events occurred between the reporting date and the date of approval of the condensed interim financial statements.

24 General

The figures in the condensed interim financial statements are rounded to the nearest Dirham of United Arab Emirates.

25 Approval of condensed interim financial statements

The condensed interim financial statements were approved and authorized for issue by the Board of Directors on 20 May 2020.