

**Ras Al Khaimah National Insurance Company
P.S.C.
Review report and condensed interim financial
information
for the three months period ended 31 March 2019**

Ras Al Khaimah National Insurance Company P.S.C.

	Pages
Review report on condensed interim financial information	1
Condensed interim statement of financial position	2
Condensed interim income statement	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 - 30



Review report on condensed interim financial information to the board of directors of Ras Al Khaimah National Insurance Company P.S.C.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Ras Al Khaimah National Insurance Company P.S.C. (the 'Company') as at 31 March 2019 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the three-month 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'. 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".

PricewaterhouseCoopers

14 May 2019

Douglas O'Mahony

Registered Auditor Number 834

Place: Dubai, United Arab Emirates

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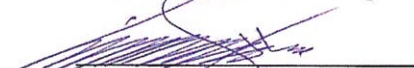
Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy


Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of financial position

	Notes	As at 31 March 2019 (Unaudited) AED	As at 31 December 2018 (Audited) AED
ASSETS			
Property and equipment	4	5,233,061	5,607,526
Investment properties	5	16,205,971	16,332,502
Intangible assets		10,450,678	10,820,988
Financial assets at fair value through other comprehensive income ("FVTOCI")	6	69,562,184	67,936,644
Financial assets at fair value through profit or loss ("FVTPL")	6	4,491,110	4,242,288
Statutory deposit	7	10,000,000	10,000,000
Fixed deposits	10	175,121,810	175,086,407
Reinsurance contract assets	8	225,387,674	209,545,115
Deferred acquisition cost		28,257,013	24,708,115
Insurance and other receivables	9	277,864,175	274,553,802
Bank balances and cash	10	36,526,411	55,955,837
Total assets		859,100,087	854,789,224
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	110,000,000	110,000,000
Statutory reserve	12	47,007,852	47,007,852
Voluntary reserve	13	20,000,000	20,000,000
Cumulative changes in fair value of securities		(1,618,546)	(3,350,380)
Retained earnings		23,390,661	21,974,663
Total equity		198,779,967	195,632,135
LIABILITIES			
Provision for employees' end of service indemnity		5,224,346	5,029,729
Bank borrowings	15	34,758,819	34,046,908
Insurance contract liabilities	8	438,392,311	424,503,241
Deferred commission income		7,932,402	7,865,908
Insurance and other payables		174,012,242	187,711,303
Total liabilities		660,320,120	659,157,089
Total equity and liabilities		859,100,087	854,789,224

This condensed interim financial information was authorised for issue on 14 May 2019 by the Board of Directors and signed on its behalf by:


Salem Al Sharhan
Chairman


Ewen McRobbie
Chief Executive Officer

The notes on pages 7 to 30 form an integral part of this condensed interim financial information.

(2)

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim income statement

	Three months period ended 31 March (Unaudited)	
	2019 AED	2018 AED (Restated)
Notes		
Insurance premium revenue	131,962,066	117,788,617
Less: Insurance premium ceded to reinsurers	(61,554,471)	(43,393,082)
Net retained premium	70,407,595	74,395,535
Net change in unearned premium reserve / unexpired risk reserve	(1,030,685)	(8,544,884)
Net earned insurance premium	69,376,910	65,850,651
Gross claims incurred	(106,134,419)	(83,175,336)
Reinsurance share of claims incurred	60,248,917	37,391,345
Net claims incurred	(45,885,502)	(45,783,991)
Reinsurance commission income	5,095,864	4,378,911
Less: commission incurred	(13,685,784)	(13,098,254)
Net commission incurred	(8,589,920)	(8,719,343)
Gross underwriting income	14,901,488	11,347,317
General and administrative expenses	(14,446,062)	(8,491,630)
Net underwriting income	455,426	2,855,687
Investment income	2,987,213	2,822,945
Other income	1,849	58,214
Other expenses	(2,028,490)	(2,344,945)
Profit for the period	1,415,998	3,391,901
Basic and diluted earnings per share (Note 14)	0.01	0.03

The notes on pages 7 to 30 form an integral part of this condensed interim financial information.

(3)

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of comprehensive income

	Notes	Three months period ended 31 March (Unaudited)	
		2019 AED	2018 AED (Restated)
Profit for the period		<u>1,415,998</u>	<u>3,391,901</u>
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Net changes in fair value of investments designated at fair value through other comprehensive income ("FVTOCI")		1,731,834	(1,543,020)
Items that will not be reclassified subsequently to profit or loss:			
Directors' remuneration		<u>-</u>	<u>(1,460,000)</u>
Total other comprehensive income /(loss) for the period		<u>1,731,834</u>	<u>(3,003,020)</u>
Total comprehensive income for the period		<u>3,147,832</u>	<u>388,881</u>

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of changes in equity

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Cumulative changes in fair value of securities AED	Retained earnings AED	Total equity AED
Balance at 31 December 2017 (restated)	110,000,000	44,956,581	20,000,000	(150,977)	44,343,761	219,149,365
Adjustment on adoption of IFRS 9	-	-	-	-	(22,870,533)	(22,870,533)
Restated balance as at 1 January 2018	110,000,000	44,956,581	20,000,000	(150,977)	21,473,228	196,278,832
Profit for the period (restated)	-	-	-	-	3,391,901	3,391,901
Other comprehensive loss for the period	-	-	-	(1,543,020)	(1,460,000)	(3,003,020)
Total comprehensive income for the period (restated)	-	-	-	(1,543,020)	1,931,901	388,881
Dividend (Note 17)	-	-	-	-	(16,500,000)	(16,500,000)
Balance at 31 March 2018 (unaudited) (restated)	110,000,000	44,956,581	20,000,000	(1,693,997)	6,905,129	180,167,713
Balance at 31 December 2018 (audited)	110,000,000	47,007,852	20,000,000	(3,350,380)	21,974,663	195,632,135
Profit for the period	-	-	-	-	1,415,998	1,415,998
Other comprehensive income for the period	-	-	-	1,731,834	-	1,731,834
Total comprehensive income for the period	-	-	-	1,731,834	1,415,998	3,147,832
Balance at 31 March 2019 (unaudited)	110,000,000	47,007,852	20,000,000	(1,618,546)	23,390,661	198,779,967

The notes on pages 7 to 30 form an integral part of this condensed interim financial information.

Ras Al Khaimah National Insurance Company P.S.C.

Condensed interim statement of cash flows

	Three months period ended 31 March (Unaudited)	
	2019 AED	2018 AED (Restated)
Cash flows from operating activities		
Profit for the period	1,415,998	3,391,901
Adjustments for:		
Depreciation of property and equipment	426,341	431,824
Amortisation of intangible assets	370,310	354,561
Depreciation of investment properties	126,531	137,807
Provision / (reversal of provision) for impairment	2,042,019	(2,248,946)
Provision for employees' end of service indemnity	319,994	72,504
Unrealised gain on financial assets at FVTPL	(248,822)	(134,435)
Income from investment properties	(181,305)	(199,664)
Interest income - net	(2,547,921)	(2,479,680)
Dividend income	(9,166)	(9,166)
Operating cash flows before changes in working capital and payments of employees' end of service benefits	1,713,979	(683,294)
Changes in working capital:		
Increase in reinsurance contract assets	(15,842,559)	(8,406,851)
Increase in deferred acquisition cost	(3,548,898)	(4,078,513)
Increase in insurance contract liabilities	13,889,070	15,288,581
Decrease / (increase) in insurance and other receivables	(4,971,999)	(16,623,296)
Decrease in insurance and other payables	(13,699,061)	(2,570,059)
Increase / (decrease) in deferred commission income	66,494	(289,452)
Employees' end of service benefits paid	(125,377)	-
Net cash used in operating activities	(22,518,351)	(17,362,884)
Cash flows from investing activities		
Purchase of property and equipment	(51,876)	(349,011)
Purchase of intangible assets	-	(311,241)
Income received from investment properties	181,305	199,664
Interest received	2,282,988	2,064,625
Maturities of fixed deposits with banks with original maturities greater than three months	35,000,000	73,497,938
Placements of fixed deposits with banks with original maturities greater than three months	(35,000,000)	(40,066,444)
Net cash generated from investing activities	2,412,417	35,035,531
Cash flows from financing activities		
Dividends paid	-	(16,500,000)
Directors' remuneration	-	(1,460,000)
Increase in bank borrowings	711,911	6,649
Net cash generated from / (used in) financing activities	711,911	(17,953,351)
Net decrease in cash and cash equivalents	(19,394,023)	(280,704)
Net cash and cash equivalents at beginning of the period	55,392,244	11,580,882
Net cash and cash equivalents at end of the period	35,998,221	11,300,178

The notes on pages 7 to 30 form an integral part of this condensed interim financial information.

(6)

Ras Al Khaimah National Insurance Company P.S.C.

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

1 General information

Ras Al Khaimah National Insurance Company P.S.C. (the “Company”) is a public joint-stock company, established and incorporated in the Emirate of Ras Al Khaimah by Emiri decree No. 20/76 dated 26 October 1976. The Company is subject to the regulations of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E., under registration number 7. The address of the Company’s registered head office is P. O. Box 506, Ras Al Khaimah, United Arab Emirates. The Company is a subsidiary of National Bank of Ras Al Khaimah PJSC (the “parent company”) which is incorporated in the Emirate of Ras Al Khaimah, United Arab Emirates.

The principal activity of the Company is to undertake all classes of insurance business including life assurance, saving and accumulation of funds. The Company does not deal in life insurance except for a very small portion of group life. The Company operates through its head office in Ras Al Khaimah and branch offices in Dubai and Abu Dhabi.

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

2.1 New and revised IFRS applied in the condensed interim financial information

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
Amendments to IAS 19, “Employee benefits” on plan amendment, curtailment or settlement.	1 January 2019

Ras Al Khaimah National Insurance Company P.S.C.

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

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

2.1 New and revised IFRS applied in the condensed interim financial information (continued)

Amendments to IFRS 9 “Financial Instruments” relating to prepayment features with negative compensation and modification of financial liabilities. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

1 January 2019

IFRS 16 :Leases”

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting remains mainly unchanged. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

There was no impact on the condensed interim financial information of the Company from the adoption of IFRS 16 on 1 January 2019 since all the Company’s leases are short-term or low-value leases which have been recognized on a straight-line basis as an expense.

1 January 2019

Ras Al Khaimah National Insurance Company P.S.C.

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

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 and IAS 8 on the definition of material.	1 January 2020
IFRS 17 "Insurance contracts"	

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17 "Insurance Contracts". IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The standard applies to annual periods beginning on or after 1 January 2021, with earlier application permitted if IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

1 January 2021

Management anticipates that IFRS 17 will be adopted in the Company's financial statements on its application date. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review.

Ras Al Khaimah National Insurance Company P.S.C.

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

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17, mentioned above, is not expected to have a material impact on the financial statements of the Company in the period of initial application.

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) 34, "*Interim Financial Reporting*" and also comply with the applicable requirements of the laws in the U.A.E.

The condensed interim financial information is presented in U.A.E. Dirhams (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 financial assets carried at fair value through profit or loss and financial assets carried at fair value through other comprehensive income which are carried at fair value.

The Company's condensed interim statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: Cash and cash equivalents, insurance and other receivables and insurance and other payables. The following balances would generally be classified as non-current: property and equipment, investment properties, intangible assets, statutory deposits, fixed deposits, provision for employees' end of service indemnity and bank borrowings. The following balances are of mixed nature (including both current and non-current portions): financial assets at FVTOCI, financial assets at FVTPL, reinsurance contract assets, deferred acquisition costs, insurance contract liabilities and deferred commission income.

Ras Al Khaimah National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

The condensed interim financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual audited financial statements for the year ended 31 December 2018.

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 2018.

In addition, results for the three months period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

3.1.1 Judgements and estimates

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

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

3.1.2 Insurance and financial risk management

The Company's insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2018. There have been no changes in any risk management policies since the year end.

The accounting policies in respect of investment properties, financial assets and property and equipment have been disclosed in this condensed interim financial information as required by Securities and Commodities Authority ("SCA") notification dated 12 October 2008 (Notes 3.2 to 3.5).

Ras Al Khaimah National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.2 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The useful life of investment properties is estimated at 30 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

3.3 Property and equipment

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

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

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

	Years
Buildings	25
Furniture and fixtures	4
Office equipment	4
Motor vehicles	4
Computer equipment	4

3.4 Intangible assets

Intangible assets are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 10 years.

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

3 Summary of significant accounting policies (continued)

3.5 Financial assets

Classification and measurement - Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- (i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- (ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- (iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:
 - a. the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
 - b. the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Ras Al Khaimah National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

Classification and measurement - Financial assets (continued)

Equity instruments at FVTOCI

Investments in equity instruments/funds at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments in equity instruments/funds, but reclassified to retained earnings. The Company has designated all investments in equity instruments that are not held for trading as FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt instruments at amortised cost or at FVTOCI

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period, the Company has not identified a change in its business models.

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

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

Financial assets at FVTPL

Financial assets at FVTPL are:

- (i) assets with contractual cash flows that are not SPPI; or/and
- (ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- (iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Ras Al Khaimah National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

Impairment

The Company recognises loss allowances for expected credit losses on bank balances including statutory and fixed deposits; insurance and other receivables that are not measured at FVTPL; and debt investments measured subsequently at amortised costs or at FVTOCI.

No impairment loss is recognised on equity investments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company has elected to measure loss allowances for insurance and other receivables at an amount equal to life time ECLs. Current accounts with banks, debt investments measured subsequently at amortised cost or at FVTOCI, fixed deposits and statutory deposits are assessed to have low credit risk at each reporting date as they are held with reputable international banks.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Company's historical experience and informed credit assessment and including forward-looking information. Forward-looking information considered includes the future prospects of the industries in which the Company's receivables operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Ras Al Khaimah National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

Impairment (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or
- the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause
- a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

Ras Al Khaimah National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

Impairment (continued)

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to bank balances including statutory and fixed deposits, debt investments measured at amortised cost or FVTOCI, and insurance and other receivables are presented separately in the income statement.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

Measurement of ECL

The Company employs statistical models for ECL calculations for bank balances, statutory and fixed deposits. ECLs are a probability-weighted estimate of credit losses. The parameters used in calculation will be derived from the Company's internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information.

The Company reassessed its impairment loss on its insurance and other receivables portfolio using an expected loss measurement basis using the simplified approach.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Company assesses whether financial assets carried are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact in the estimated future cash flows of the financial asset have occurred.

Ras Al Khaimah National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4 Property and equipment

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

5 Investment properties

Investment properties comprise of land and buildings and are located in the United Arab Emirates.

The fair value of the Company's investment properties as at 31 December 2018 amounted to AED 18.45 million and have been arrived at on the basis of recent valuations carried by external valuers who have appropriate market experience in the valuation of properties in the United Arab Emirates.

Management estimates that there has been no change in the fair value of investment properties during the three months period ended 31 March 2019.

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the period.

Investment properties are classified as Level 3 in the fair value hierarchy as at 31 March 2019 (31 December 2018: Level 3).

Ras Al Khaimah National Insurance Company P.S.C.

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

6 Financial investments

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

	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
FVTPL	4,491,110	4,242,288
FVTOCI	70,112,932	68,473,741
Less: Provision for impairment	(550,748)	(537,097)
	69,562,184	67,936,644
	74,053,294	72,178,932

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

FVTOCI investments comprise of quoted equity shares and debt instruments within G C C. The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Details of provision for impairment were as follows:

	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
Balance at the beginning of the period / year	537,097	558,118
Provision / (reversal of provision) for impairment	13,651	(21,021)
Balance at the end of the period / year	550,748	537,097

7 Statutory deposit

A deposit of AED 10,000,000 (31 December 2018: AED 10,000,000) has been placed with one of the Company's bankers, in accordance with local insurance regulatory requirements. This deposit has been pledged to a Bank as security against a guarantee issued by the Bank in favour of the UAE Insurance Authority for the same amount. This deposit cannot be withdrawn without prior approval of the UAE Insurance Authority and bears an interest rate of 3.25 % per annum (31 December 2018: 3.25% per annum).

Ras Al Khaimah National Insurance Company P.S.C.

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

8 Insurance contract liabilities and reinsurance contract assets

	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
Insurance contract liabilities		
Outstanding claims	134,434,311	112,644,230
Unallocated loss adjustment expense reserve	2,747,328	2,731,899
Claims incurred but not reported	43,058,627	58,529,859
Unearned premium	257,826,514	250,484,427
Unexpired risk reserve	325,531	112,826
	<u>438,392,311</u>	<u>424,503,241</u>
Reinsurance contract assets		
Outstanding claims	(102,367,343)	(84,016,482)
Claims incurred but not reported	(20,724,793)	(29,757,202)
Unearned premium	(101,970,007)	(95,658,605)
Unexpired risk reserve	(325,531)	(112,826)
	<u>(225,387,674)</u>	<u>(209,545,115)</u>
Insurance contract liabilities – net		
Outstanding claims	32,066,968	28,627,748
Unallocated loss adjustment expense reserve	2,747,328	2,731,899
Claims incurred but not reported	22,333,834	28,772,657
Unearned premiums	155,856,507	154,825,822
Unexpired risk reserve	-	-
	<u>213,004,637</u>	<u>214,958,126</u>

As at 31 March 2019, the gross and net insurance contract liabilities as certified by the Company's appointed actuary, LUX Actuaries & Consultants, amounted to AED 438 million and AED 213 million respectively (31 December 2018: AED 424 million and AED 215 million respectively).

Ras Al Khaimah National Insurance Company P.S.C.

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

9 Insurance and other receivables

	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
Premium receivable	212,216,947	207,711,111
Reinsurance companies	17,048,304	10,544,208
Insurance agents and brokers	814,208	787,740
Due from related parties	16,157,186	12,580,062
Accrual of interest and other income	7,503,062	7,687,454
Advances and prepayments	4,434,479	5,124,804
Deferred capitation fee	38,381,105	44,427,800
Other receivables	21,541,504	23,925,881
	<u>318,096,795</u>	<u>312,789,060</u>
Less: Provision for impairment	<u>(40,232,620)</u>	<u>(38,235,258)</u>
	<u>277,864,175</u>	<u>274,553,802</u>

Movements in provision for impairment were as follows:

	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
Balance at the beginning of the year	38,235,258	24,353,473
Initial application of IFRS 9	-	21,691,655
Balance at 1 January 2019/2018	<u>38,235,258</u>	<u>46,045,128</u>
Provision /(reversal of provision) for impairment	2,063,771	(5,936,445)
Write-off during the period/year	<u>(66,409)</u>	<u>(1,873,425)</u>
Balance at the end of the period / year	<u>40,232,620</u>	<u>38,235,258</u>

Ras Al Khaimah National Insurance Company P.S.C.

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

10 Bank balances and cash

	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
Cash on hand	174,400	167,283
Cash with banks	36,352,011	55,788,554
Total cash and current accounts with banks (A)	36,526,411	55,955,837
Fixed deposits with maturities greater than 3 months	175,350,000	175,350,000
Fixed deposits under lien	300,000	300,000
Less: Provision for impairment	(528,190)	(563,593)
Total fixed deposits (B)	175,121,810	175,086,407
Total bank balances and cash (A + B)	211,648,221	231,042,244
Less: Deposits with maturities greater than three months	(175,350,000)	(175,350,000)
Less: Fixed deposits under lien	(300,000)	(300,000)
Cash and cash equivalents	35,998,221	55,392,244

Fixed deposits under lien are against letters of guarantee issued to the Company (Note 16).

The interest rates on fixed deposits with banks are 2% to 4.8% (2018: 2% to 4.8%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

Details of provision for impairment as per IFRS 9 were as follows:

	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
Balance at the beginning of the period / year	563,593	620,760
Less: Reversal of provision for impairment	(35,403)	(57,167)
	528,190	563,593

Ras Al Khaimah National Insurance Company P.S.C.

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

11 Share capital

	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
Authorised, issued and fully paid:		
110 million ordinary shares of AED 1 each		
(31 December 2018: 110 million ordinary shares of AED 1 each)	<u>110,000,000</u>	<u>110,000,000</u>

12 Statutory reserve

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

13 Voluntary reserve

As per the Company's Articles of Association, voluntary reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilised for any other purpose unless approved by the Shareholders' General Assembly. No transfer to voluntary reserve was made during the three month period ended 31 March 2019 and the year ended 31 December 2018.

14 Basic and diluted earnings per share

	Three months period ended 31 March	
	2019 (unaudited)	2018 (unaudited) (Restated)
Profit for the period (in AED)	<u>1,415,998</u>	<u>3,391,901</u>
Number of shares	<u>110,000,000</u>	<u>110,000,000</u>
Basic and diluted earnings per share (in AED)	<u>0.01</u>	<u>0.03</u>

Basic earnings per share are 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.

Ras Al Khaimah National Insurance Company P.S.C.

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

15 Related party balance and 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). Related parties include the Company's major shareholders, directors and business controlled by them and their families over which they exercise significant management influence as well as key management personnel. 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.

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

	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
Due from Parent company (premium receivable)	10,307,355	-
Due from directors (premium receivable)	1,170	1,594
Due from other related parties (premium receivable)	5,745,162	12,578,468
Due to parent company (commission payable)	-	(23,101,766)
Due to other related parties (claim payable)	(103,498)	(97,248)
Fixed deposits placed with parent company	35,650,000	40,650,000
Bank borrowings from parent company	(34,758,819)	(34,046,908)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

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

	Three months period ended 31 March	
	2019 (unaudited) AED	2018 (unaudited) AED
Gross premiums written (parent company)	10,457,663	1,541,028
Gross premiums written (directors)	5,035	12,527
Gross premiums written (other related parties)	1,869,704	9,177,888
Claims paid (parent company)	(1,723,683)	(4,924,125)
Claims paid (other related parties)	(903,715)	(503,682)
Dividends (parent company)	-	(13,073,247)
Dividends (directors)	-	(2,104,899)
Interest cost (parent company)	(343,407)	(264,050)

Ras Al Khaimah National Insurance Company P.S.C.

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

15 Related party balance and transactions (continued)

15.3 Key management personnel compensation

	Three months period ended 31 March	
	2019 (unaudited) AED	2018 (unaudited) AED
Board of Directors' remuneration	-	1,460,000
Short-term benefits	1,361,268	1,280,757
Long-term benefits	65,090	166,207

16 Contingent liabilities

	31 March 2019 (unaudited) AED	31 December 2018 (audited) AED
Letters of guarantee	10,675,633	10,675,633

Letters of guarantee includes AED 10,000,000 (2018: AED 10,000,000) issued in favour of Insurance Authority of U.A.E.

The above guarantees were issued in the normal course of business.

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.

17 Dividend and directors' remuneration

At the Annual General Meeting held on 15 April 2019, the shareholders approved a cash dividend of AED 11 million at 10 fils per share and 5% bonus share of AED 5.5 million for 2018 (2018: at the Annual General Meeting held on 7 March 2018, the shareholders approved cash dividend of AED 16.5 million at 15 fils per share for 2017). The Shareholders also approved Board of Directors' remuneration of AED 1.5 million for 2018 (2018: AED 1.5 million for 2017).

18 Segment information

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

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

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.

Ras Al Khaimah National Insurance Company P.S.C.

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

18 Segment information (continued)

Segmental information is presented below:

The following is an analysis of the Company's revenues classified by major underwriting departments:

	Three months period ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
	AED	AED
Motor	10,403,208	7,634,027
Marine and aviation	1,100,274	1,356,342
Group life and medical insurance	101,315,883	86,834,741
Engineering, fire, general accident and others	19,142,701	21,963,507
	<u>131,962,066</u>	<u>117,788,617</u>

Ras Al Khaimah National Insurance Company P.S.C.

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

18 Segment information (continued)

	Three months period ended 31 March 2019 – Unaudited			Three month period ended 31 March 2018 – Unaudited (Restated)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment revenue	131,962,066	-	131,962,066	117,788,617	-	117,788,617
Segment result						
Unallocated costs (net)	4,087,876	2,987,214	7,075,090	606,741	2,881,159	3,487,900
Profit for the period			(5,659,092)			(95,999)
			<u>1,415,998</u>			<u>3,391,901</u>
	As at 31 March 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets						
Unallocated assets	541,808,862	265,081,075	806,889,937	519,107,032	263,297,841	782,404,873
Total assets			<u>52,210,150</u>			<u>72,384,351</u>
			<u>859,100,087</u>			<u>854,789,224</u>
Segment liabilities						
Unallocated liabilities	618,281,195	34,758,819	653,040,014	618,024,692	34,046,908	652,071,600
Total liabilities			<u>7,280,106</u>			<u>7,085,489</u>
			<u>660,320,120</u>			<u>659,157,089</u>

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

19 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.

19.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed interim financial information approximate their fair values.

19.2 Fair value of financial instruments carried at fair value

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

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

19.2.2 Fair value measurements recognised in the condensed interim 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 the fair value of financial instruments traded in active market is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1.
- Level 2 the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are unobservable, the instrument included in Level 2.
- Level 3 if one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Ras Al Khaimah National Insurance Company P.S.C.

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

19 Fair value measurements (continued)

19.2 Fair value of financial instruments carried at fair value (continued)

19.2.2 Fair value measurements recognised in the condensed interim 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:

Fair value as at			Fair value hierarchy	Valuation techniques and key inputs	Relationship of Significant unobservable inputs to fair value	
31 March 2019 (unaudited) AED	31 December 2018 (audited) AED					
Financial assets						
FVTOCI:						
Quoted debt securities	68,837,025	67,229,976	Level 1	Quoted bid prices in an active market	None	N/A
Quoted equity securities	725,159	706,668	Level 1	Quoted bid prices in an active market	None	N/A
FVTPL:						
Funds	4,491,110	4,242,288	Level 1	Quoted bid prices in an active market	None	N/A

There were no transfers between levels 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.

Ras Al Khaimah National Insurance Company P.S.C.

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

20 Prior period adjustments and comparative information

The comparative amounts for the period ended 31 March 2018 have been restated due to correction of prior year error relating to inaccurate account mapping and inaccurate accounting for certain reinsurance transactions which resulted in understatement of reinsurance related expenses and reinsurance related liabilities.

	As previously reported for the three months period ended 31 March 2018 (Unaudited) AED	Adjustments (Unaudited) AED	As restated for the three months period ended 31 March 2018 (Unaudited) AED
Insurance premium ceded to reinsurers	(41,802,234)	(1,590,848)	(43,393,082)
Net retained premium	75,986,383	(1,590,848)	74,395,535
Net change in unearned premium reserve	(7,276,094)	(1,268,790)	(8,544,884)
Net earned insurance premium	68,710,289	(2,859,638)	65,850,651
Reinsurance share of claims incurred	37,185,136	206,209	37,391,345
Net claims incurred	(45,990,200)	206,209	(45,783,991)
Reinsurance commission income	4,486,260	(107,349)	4,378,911
Commission incurred	(13,411,725)	313,471	(13,098,254)
Net commission incurred	(8,925,465)	206,122	(8,719,343)
Gross underwriting income	13,794,624	(2,447,307)	11,347,317
Net underwriting income	3,054,048	(2,447,307)	606,741
Profit for the period	5,839,208	(2,447,307)	3,391,901
Total comprehensive income for the period	2,836,188	(2,447,307)	388,881

Basic and diluted earnings per share for the three months period ended 31 March 2018 reduced from AED 0.05 to AED 0.03.

21 Approval of the condensed interim financial information

The condensed interim financial information were approved by the Board of Directors and authorised for issue on 14 May 2019.