Ras Al Khaimah National Insurance Company P.S.C.
Review report and condensed interim financial information
for the three months period ended 31 March 2020

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

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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 2020 and the related condensed interim statements of income, comprehensive income, changes in equity and 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.

Basis for qualified conclusion

The Company has entered into medical capitation agreements with several medical service providers to cap the cost of claims arising from some of its medical insurance contracts. These agreements meet the definition of reinsurance contracts under International Financial Reporting Standard 4, "Insurance contracts".

Because of the lack of available information from third party administrators, management was not able to quantify the cost of the notional claims that the Company would have incurred if the capitation agreements were properly accounted for as reinsurance contracts. As such, there is an equal understatement of both the "Gross claims settled" and "Reinsurance share of claims settled" amounts in the condensed interim income statements for the three-month periods ended 31 March 2020 and 31 March 2019. In addition, there is an overstatement of "Gross claims settled" and understatement of "Insurance premiums ceded to reinsurers" in the condensed interim income statements for the three-months periods ended 31 March 2020 and 31 March 2019 of AED 22 million and AED 9 million respectively and an understatement in "Reinsurance contract assets" and "Insurance and other payables" in the statements of financial position as at 31 March 2020 and 31 December 2019 of AED 39 million and AED 38 million respectively.

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

Basis for qualified conclusion (continued)

There is no impact of any of these misstatements on the "Gross underwriting profit" or the "Profit" for the three-months periods ended 31 March 2020 and 31 March 2019.

Qualified conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, 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 2020

Douglas O'Mahony
Registered Auditor Number 834
Place: Ras Al Khaimah, United Arab Emirates

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

Condensed interim statement of financial position

	Notes	As at 31 March 2020 (Unaudited)	As at 31 December 2019 (Audited)
		AED	AED
Assets			
Property and equipment	4	**5,134,602**	4,945,979
Investment properties	5	**15,687,052**	15,815,005
Intangible assets		**8,969,439**	9,339,749
Statutory deposit	7	**10,000,000**	10,000,000
Fixed deposits	10	**158,744,788**	175,534,426
Financial assets at fair value through other comprehensive income ("FVTOCI")	6	**67,954,600**	72,560,169
Financial assets at fair value through profit or loss ("FVTPL")	6	**3,554,188**	4,599,938
Reinsurance contract assets	8	**212,937,308**	216,156,615
Deferred acquisition cost		**30,789,039**	33,296,302
Insurance and other receivables	9	**280,850,071**	253,843,195
Bank balances and cash	10	**31,208,180**	27,651,721
Total assets		**825,829,267**	823,743,099
Equity and liabilities			
Equity			
Share capital	11	**121,275,000**	115,500,000
Statutory reserve	12	**47,361,316**	47,361,316
Voluntary reserve	13	**20,000,000**	20,000,000
Cumulative changes in fair value of securities		**(3,306,377)**	1,216,481
Retained earnings		**758,794**	6,088,854
Total equity		**186,088,733**	190,166,651
Liabilities			
Provision for employees' end of service indemnity		**5,807,442**	5,680,690
Insurance contract liabilities	8	**452,716,884**	470,297,320
Deferred commission income		**23,600,268**	24,611,953
Insurance and other payables	16	**157,615,940**	132,986,485
Total liabilities		**639,740,534**	633,576,448
Total equity and liabilities		**825,829,267**	823,743,099

This condensed interim financial information was authorised for issue on 14 May 2020 by the Board of Directors and signed on its behalf by:

Salem Al Sharhan
Chairman

Ewen McRobbie
Chief Executive Officer

The notes on pages 8 to 32 form an integral part of this condensed interim financial information.

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

Condensed interim income statement

	Three months period ended 31 March (Unaudited)	
	2020	**2019**
	AED	**AED**
		(Restated)
Insurance premium revenue	**122,064,684**	131,962,066
Less: Insurance premium ceded to reinsurers	**(36,484,392)**	(61,554,471)
Net retained premium	**85,580,292**	70,407,595
Net change in unearned premium reserve / unexpired risk reserve	**16,903,035**	(1,030,685)
Net insurance premium revenue	**102,483,327**	69,376,910
Gross claims incurred	**(135,710,899)**	(110,232,863)
Reinsurance share of claims incurred	**56,729,630**	60,248,917
Net claims incurred	**(78,981,269)**	(49,983,946)
Gross commission earned	**5,565,289**	5,095,864
Less: commission incurred	**(13,318,091)**	(9,587,340)
Net commission incurred	**(7,752,802)**	(4,491,476)
Gross underwriting income	**15,749,256**	14,901,488
General and administrative expenses	**(12,907,305)**	(12,404,043)
Allowance for impairment	**(2,545,009)**	(2,042,019)
Net underwriting income / (loss)	**296,942**	455,426
Investment and other income	**1,397,879**	2,989,062
Other expenses	**(1,249,881)**	(2,028,490)
Profit for the period	**444,940**	1,415,998
Basic and diluted earnings per share (Note 14)	**0.004**	0.012

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

Condensed interim statement of comprehensive income

	Three months period ended 31 March (Unaudited)	
	2020	**2019**
	AED	**AED**
Profit for the period	444,940	1,415,998
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss:		
Net change in fair value of debt investments designated at FVTOCI	**(4,421,503)**	1,750,856
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value of equity investments designated at FVTOCI	**(101,355)**	(19,022)
Total other comprehensive (loss) / income for the period	**(4,522,858)**	1,731,834
Total comprehensive (loss) / income for the period	**(4,077,918)**	3,147,832

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 2018 (audited and restated)	110,000,000	47,007,852	20,000,000	(3,350,380)	20,897,679	194,555,151
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)	22,313,677	197,702,983
Balance at 31 December 2019 (audited)	115,500,000	47,361,316	20,000,000	1,216,481	6,088,854	190,166,651
Profit for the period	-	-	-	-	444,940	444,940
Other comprehensive loss for the period	-	-	-	(4,522,858)	-	(4,522,858)
Total comprehensive loss for the period	-	-	-	(4,522,858)	444,940	(4,077,918)
Issue of bonus shares (Note 18)	5,775,000	-	-	-	(5,775,000)	-
Dividend (Note 18)	-	-	-	-	-	-
Balance at 31 March 2020 (unaudited)	121,275,000	47,361,316	20,000,000	(3,306,377)	758,794	186,088,733

The notes on pages 8 to 32 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)	
	2020	**2019**
	AED	**AED**
Cash flows from operating activities		
Profit for the period	**444,940**	1,415,998
Adjustments for:		
Depreciation of property and equipment	**407,444**	426,341
Depreciation of investment properties	**127,953**	126,531
Amortisation of intangible assets	**370,310**	370,310
Provision for impairment – net	**2,545,010**	2,042,019
Provision for employees' end of service indemnity	**259,127**	319,994
Interest income – net	**(2,269,650)**	(2,640,563)
Dividend income	**(9,999)**	(9,166)
Amortisation of premium on FVOCI debt investments	**93,664**	92,642
Income from investment properties	**(169,843)**	(181,305)
Unrealised loss / (gain) on financial assets at FVTPL	**1,045,750**	(248,822)
Operating cash flows before changes in working capital and payments of employees' end of service benefits	**2,844,706**	1,713,979
Changes in working capital:		
Decrease / (increase) in reinsurance contract assets	**3,219,307**	(15,842,559)
Decrease / (increase) in deferred acquisition cost	**2,507,263**	(3,548,898)
(Decrease) / increase in deferred commission income	**(1,011,685)**	66,494
(Decrease) / increase in insurance contract liabilities	**(17,580,436)**	13,889,070
Increase in insurance and other receivables	**(29,194,663)**	(4,971,999)
Increase / (decrease) in insurance and other payables	**24,629,455**	(13,699,061)
Cash used in operating activities	**(14,586,053)**	(22,392,974)
Employees' end of service benefits paid	**(132,375)**	(125,377)
Net cash used in operating activities	**(14,718,428)**	(22,518,351)
Cash flows from investing activities		
Purchase of property and equipment	**(596,067)**	(51,876)
Rental income received from investment properties	**189,495**	207,247
Direct operating expenses paid for investment properties	**(19,652)**	(25,942)
Interest received	**1,907,332**	2,282,988
Maturities of fixed deposits with banks with original maturities greater than three months	**30,000,000**	35,000,000
Placements of fixed deposits with banks with original maturities greater than three months	**(13,206,221)**	(35,000,000)
Net cash generated from investing activities	**18,274,887**	2,412,417
Cash flows from financing activities		
Increase in bank borrowings	**-**	711,911
Net cash generated from financing activities	**-**	711,911
Net increase / (decrease) in cash and cash equivalents	**3,556,459**	(19,394,023)
Cash and cash equivalents at the beginning of the period	**27,651,721**	55,392,244
Cash and cash equivalents at the end of the period	**31,208,180**	35,998,221

Principal non-cash transactions:

During the three month period ended 31 March 2020, the principal non-cash transaction relates to the bonus share issuance amounting to AED 5.775 million for no consideration.

The notes on pages 8 to 32 form an integral part of this condensed interim financial information.

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 Company is a subsidiary of National Bank of Ras Al Khaimah P.S.C. (the "parent company") which is incorporated in the Emirate of Ras Al Khaimah, United Arab Emirates. The address of the Company's registered head office is P. O. Box 506, Ras Al Khaimah, United Arab Emirates. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange, 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 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
Amendments to IAS 1 and IAS 8 on the definition of material	
These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.	1 January 2020

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)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to the conceptual framework The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: - increasing the prominence of stewardship in the objective of financial reporting - reinstating prudence as a component of neutrality - defining a reporting entity, which may be a legal entity, or a portion of an entity - revising the definitions of an asset and a liability - removing the probability threshold for recognition and adding guidance on derecognition - adding guidance on different measurement basis, and - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	1 January 2020

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
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. 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. On 17 March 2020, the IASB took the decision to extend the effective date for the implementation of IFRS 17 to 1 January 2023 which will be reflected in the amended standard when issued. 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.	1 January 2021

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)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1, Presentation of financial statements' on classification of liabilities These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	1 January 2022

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. The following balances would generally be classified as non-current: property and equipment, investment properties, intangible assets and statutory deposits. The following balances are of mixed nature (including both current and non-current portions): financial investments, reinsurance contract assets, deferred acquisition costs, insurance contract liabilities and deferred commission income, insurance and other receivables insurance and other payables, fixed deposits and provision for employees' end of service indemnity.

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 2019.

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

In addition, results for the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 2019.

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 2019. There have been no changes in any risk management policies since the year end.

The accounting policies in respect of investment properties, financial assets, intangible 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).

3 Summary of significant accounting policies (continued)

3.2 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. 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

Land and buildings are recognised at historical cost, less subsequent depreciation and impairment if any for buildings only. All other 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 comprise computer software and 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.

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).

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.

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 lifetime 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.

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.

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 investment grade.

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 were derived from the Company's internally developed statistical models and other historical data. They were 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.

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 2019 amounted to AED 17.5 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 significant change in the fair value of investment properties during the three months period ended 31 March 2020.

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 2 in the fair value hierarchy as at 31 March 2020 (31 December 2019: Level 2).

6 Financial investments

The Company's financial investments at the end of reporting period are detailed below.

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
FVTPL	**3,554,188**	4,599,938
FVTOCI	**68,048,357**	72,664,879
Less: Allowance for impairment	**(93,757)**	(104,710)
	67,954,600	72,560,169
	71,508,788	77,160,107

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 the G.C.C. The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI. Debt instruments carry interest at the rate of 3.094% to 5.875% per annum and they are redeemable at par from 2021 to 2026 based on their maturity dates.

Details of provision for impairment were as follows:

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Balance at the beginning of the period / year	**104,710**	537,097
Reversal of impairment during the period / year	**(10,953)**	(432,387)
Balance at the end of the period / year	**93,757**	104,710

7 Statutory deposit

A deposit of AED 10,000,000 (31 December 2019: 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 (2019: 3.25% per annum).

8 Insurance contract liabilities and reinsurance contract assets

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Insurance contract liabilities		
Outstanding claims	**117,524,320**	105,285,383
Unallocated loss adjustment expense reserve	**1,937,695**	2,303,998
Claims incurred but not reported	**58,037,721**	69,284,747
Unearned premium	**216,706,533**	250,283,648
Unexpired risk reserve	**44,548,357**	32,839,891
Mathematical reserve	**13,962,258**	10,299,653
	452,716,884	470,297,320
Reinsurance contract assets		
Outstanding claims	**(81,024,473)**	(69,938,121)
Claims incurred but not reported	**(30,396,381)**	(40,050,671)
Unearned premium	**(60,543,535)**	(78,634,048)
Unexpired risk reserve	**(39,539,270)**	(26,414,371)
Mathematical reserve	**(1,433,649)**	(1,119,404)
	(212,937,308)	(216,156,615)
Insurance contract liabilities – net		
Outstanding claims	**36,499,847**	35,347,262
Unallocated loss adjustment expense reserve	**1,937,695**	2,303,998
Claims incurred but not reported	**27,641,340**	29,234,076
Unearned premiums	**156,162,998**	171,649,600
Unexpired risk reserve	**5,009,087**	6,425,520
Mathematical reserve	**12,528,609**	9,180,249
	239,779,576	254,140,705

As at 31 March 2020, the gross and net insurance contract liabilities as certified by the Company's appointed actuary, LUX Actuaries & Consultants, amounted to AED 453 million and AED 240 million respectively (31 December 2019: AED 470 million and AED 254 million respectively).

9 Insurance and other receivables

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
	AED	AED
Premium receivable	**188,936,901**	188,384,187
Reinsurance companies receivables	**92,074,665**	64,482,751
Insurance agents and brokers receivables	**432,245**	432,245
Due from related parties	**19,431,267**	15,584,523
Accrual of interest and other income	**10,791,516**	10,419,199
Advances and prepayments	**9,581,828**	12,498,854
Other receivables	**798,751**	1,078,434
	322,047,173	292,880,193
Less: Allowance for impairment	**(41,197,102)**	(39,036,998)
	280,850,071	253,843,195

Movement in the allowance for impairment was as follows:

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Balance at the beginning of the period / year	**39,036,998**	38,235,258
Provision for impairment allowance during the period / year	**2,560,104**	2,391,547
Write-off during the period/year	**(400,000)**	(1,589,807)
Balance at the end of the period / year	**41,197,102**	39,036,998

10 Bank balances and cash

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Cash in hand	**39,167**	72,341
Current accounts with banks	**31,169,013**	27,579,380
Total cash and current accounts with banks (A)	**31,208,180**	27,651,721
Fixed deposits with maturities greater than 3 months	**158,561,663**	175,355,442
Fixed deposits under lien	**300,000**	300,000
Less: Allowance for impairment	**(116,875)**	(121,016)
Total fixed deposits (B)	**158,744,788**	175,514,426
Total bank balances and cash (A + B)	**189,952,968**	203,186,147
Less: Deposits with maturities greater than three months	**(158,444,788)**	(175,234,426)
Less: Fixed deposits under lien	**(300,000)**	(300,000)
Cash and cash equivalents	**31,208,180**	27,651,721

Fixed deposits under lien are against letters of guarantee (Note 17).

The interest rates on fixed deposits with banks range between 2% to 4.8% (31 December 2019: 2% to 4.8%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

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

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Balance at the beginning of the period / year	**121,016**	563,593
Reversal of impairment during the period / year	**(4,141)**	(442,577)
Balance at the end of the period / year	**116,875**	121,016

11 Share capital

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Authorised, issued and fully paid:		
121.275 million ordinary shares of AED 1 each		
(31 December 2019: 115.5 million ordinary shares of AED 1 each)	**121,275,000**	115,500,000

At the Annual General Meeting held on 31 March 2020, the shareholders approved a 5% of share capital bonus share amounting to AED 5.775 million for 2019 which resulted in an increase in the number of ordinary shares from 115.5 million to 121.275 million shares (2019: at the Annual General Meeting held on 15 April 2019, the shareholders approved a 5% of share capital bonus share amounting to AED 5.5 million for 2018, which resulted in an increase in the number of ordinary shares from 110 million to 115.5 million shares). The Company is in the process of amending its Articles of Association to reflect the share capital increase after receiving the necessary approvals from the Securities and Commodities Authority ("SCA") and the UAE Insurance Authority.

12 Statutory reserve

In accordance with U.A.E. Federal Law Number (2) of 2015 and the Company's Articles of Association, 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 2020 and the year ended 31 December 2019.

14 Basic and diluted earnings per share

	Three months period ended 31 March (Unaudited)	
	2020	**2019**
Profit for the period (in AED)	**444,940**	1,415,998
Number of shares	**121,275,000**	121,275,000
Basic and diluted earnings per share (in AED)	**0.004**	0.012

14 Basic and diluted earnings per share (continued)

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.

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 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Due from Parent company (premium receivable)	**11,117,634**	5,188,394
Due from directors (premium receivable)	**54,868**	45,482
Due from other related parties (premium receivable)	**8,258,765**	10,350,647
Due to parent company (commission payable)	**(760,813)**	(911,096)
Due to other related parties (claim payable)	**(107,857)**	(133,724)
Fixed deposits placed with parent company	**21,150,000**	21,150,000
Bank balances placed with parent company	**28,187,053**	21,226,749

Balances due from and to related parties are interest free and repayable on demand.

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

	Three months period ended 31 March (Unaudited)	
	2020 AED	2019 AED
Gross premium written (parent company)	**14,483,224**	10,457,663
Gross premium written (directors)	**15,536**	5,035
Gross premium written (other related parties)	**2,407,198**	1,869,704
Claims paid (parent company)	**(11,691,304)**	(1,723,683)
Claims paid (other related parties)	**(8,230)**	(903,715)
Interest cost (parent company)	**-**	(343,407)

15 Related party balance and transactions (continued)

15.3 Key management personnel compensation

	Three months period ended 31 March (Unaudited)	
	2020	2019
	AED	AED
Short-term benefits	**1,500,238**	1,361,268
Long-term benefits	**46,152**	65,090
	1,546,390	1,426,358

16 Insurance and other payables

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
	AED	AED
Payable to third party administrators	**58,048,749**	42,772,935
Reinsurance companies	**51,483,305**	45,801,246
Due to related parties	**868,670**	1,044,820
Accrued expenses	**15,604,583**	13,256,636
Employees' benefits	**1,562,548**	1,000,000
Commission payable	**21,588,770**	22,318,377
Other payable balances	**6,403,555**	4,736,711
Dividend payable	**2,055,760**	2,055,760
	157,615,940	132,986,485

17 Contingent liabilities

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Letters of guarantee	**10,637,000**	10,690,028

Letters of guarantee includes AED 10 million (31 December 2019: AED 10 million) 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.

18 Dividend and directors' remuneration

At the Annual General Meeting held on 31 March 2020, the shareholders approved 5% bonus share of AED 5.775 million for 2019 (2019: 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). The Shareholders also approved Board of Directors' remuneration of AED 0.35 million for 2019 (2019: AED 1.5 million for 2018).

19 Segment information

The Company is organised into two segments: Underwriting and investments. Underwriting segment incorporates all classes of insurance including fire, marine, medical, motor, general accident, life 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. These segments are the basis on which the Company reports its primary segment information to the Chief Executive Officer.

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.

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

	Three months period ended 31 March (Unaudited)	
	2020	2019
	AED	AED
Motor	**18,818,154**	10,403,208
Marine and aviation	**846,551**	1,100,274
Life	**17,339,517**	11,070,967
Medical	**64,865,682**	90,244,917
Engineering, fire, general accident and others	**20,194,780**	19,142,700
	122,064,684	131,962,066

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

Notes to the condensed financial statements three months period ended 31 March 2020 (continued)

19 Segment information (continued)

	Three month period ended 31 March 2020 (Unaudited)			Three month period ended 31 March 2019 (Unaudited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment revenue	122,064,684	-	122,064,684	131,962,066	-	131,962,066
Segment result	296,942	1,397,879	1,694,821	455,426	2,989,062	3,444,488
Unallocated costs (net)			(1,249,881)			(2,028,490)
Profit for the period			444,940			1,415,998

	As at 31 March 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	534,576,418	245,940,628	780,517,046	513,296,112	268,509,538	781,805,650
Unallocated assets			45,312,221			41,937,449
Total assets			825,829,267			823,743,099
Segment liabilities	633,933,092	-	633,933,092	627,895,758	-	627,895,758
Unallocated liabilities			5,807,442			5,680,690
Total liabilities			639,740,534			633,576,448

20 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.

20.1 Fair value of financial instruments carried at amortised cost

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

20.2 Fair value of financial instruments carried at fair value

20.2.1 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 2019.

20.2.2 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.

20 Fair value measurements (continued)

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

20.2.2 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:

Financial assets	**Fair value as at** **31 March 2020 (unaudited) AED**	31 December 2019 (audited) AED	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
FVTOCI:						
Quoted debt securities	**67,342,399**	71,846,613	Level 1	Quoted bid prices in an active market	None	N/A
Quoted equity securities	**612,201**	713,556	Level 1	Quoted bid prices in an active market	None	N/A
FVTPL:						
Funds	**3,554,188**	4,599,938	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.

21 Prior period adjustments and comparative information

(a) The comparative figures for the previous period have been restated due to correction of prior period error relating to the classification of third party administration ("TPA") fees and the related deferred asset. The Company accounted for the TPA fees within "Commission incurred" and the related deferred asset within "Deferred acquisition cost". The effect of the correction of this error is the reclassification of the TPA fees to "Gross claims settled" and the deferred asset to "Advances and prepayments" within "Insurance and other receivables".

	As previously reported for the three months period ended 31 March 2019 (Unaudited) AED	**Adjustments (Unaudited) AED**	**As restated for the three months period ended 31 March 2019 (Restated) AED**
Gross claims incurred	(106,134,419)	(4,098,444)	(110,232,863)
Net claims incurred	(45,885,502)	(4,098,444)	(49,983,946)
Less: commission incurred	(13,685,784)	4,098,444	(9,587,340)
Net commission incurred	(8,589,920)	4,098,444	(4,491,476)

22 Covid-19 and the current economic situation

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. We have seen macro-economic uncertainty across all sectors of the economy due to the price and demand for oil, reduced economic activity, disruption to global supply chains and the potential postponement of large scale events. The scale and duration of these developments remain uncertain but could impact the earnings, cash flow and financial condition of the Company and those of our counter parties. The Company is monitoring these metrics on a daily basis and will respond to any threats identified.

At the statement of financial position date, the Company had fourteen reported claims in relation to Covid-19. Management has assessed the gross and net costs of these claims to be immaterial to the condensed interim financial information. As at the date of the financial statement of financial position, the Company has not been notified of any business interruption claims.

We have reviewed our insurance receivables portfolio and we do not believe there is material deterioration in the financial position of our debtors. Accordingly, no adjustments have been made to the model parameters and no management overlays have been applied to calculate the expected credit losses.

22 Covid-19 and the current economic situation (continued)

The Company has implemented its Business Continuity and Remote Working Plans and continued to provide services to customers within the agreed service level agreements. Further, the Company continues to monitor its liquidity position on a regular basis. This liquidity position along with other parameters are shared with the regulators as part of our reporting obligations.

23 Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the condensed interim financial information as at and for the three month period ended 31 March 2020.

24 Approval of the condensed interim financial information

The condensed interim financial information were approved by the Board of Directors and authorised for issue on 14 May 2020.