

**Ras Al Khaimah National Insurance Company
P.S.C.
Review report and condensed interim financial
information for the nine month period ended 30
September 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 30 September 2020 and the related condensed interim income statement and condensed interim statement of comprehensive income for the three-month and nine-month periods then ended, and the condensed interim statements of changes in equity and cash flows for the nine-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”. The Company accounted for these agreements as fixed fee contracts.

As a result, there is an overstatement of “Gross claims settled” and understatement of “Insurance premiums ceded to reinsurers” in the condensed interim income statements for the nine month periods ended 30 September 2020 and 30 September 2019 of AED 62 million and AED 57 million respectively and for the three month periods ended 30 September 2020 and 30 September 2019 of AED 20 million and AED 26 million respectively and an understatement in “Reinsurance contract assets” and “Insurance and other payables” in the statement of financial position as at 30 September 2020 and 31 December 2019 of AED 38 million and AED 38 million respectively.

In addition, 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 and nine-month periods ended 30 September 2020 and 30 September 2019.

There is no impact of any of these misstatements on the “Gross underwriting income” or the “Profit” for the three-month and nine-month periods ended 30 September 2020 and 30 September 2019.



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

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
26 October 2020

A handwritten signature in blue ink, appearing to be 'Rami Sarhan', with a horizontal line extending to the left.

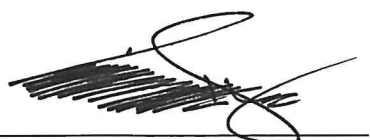
Rami Sarhan
Registered Auditor Number 1152
Place: Ras Al Khaimah, United Arab Emirates

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

Condensed interim statement of financial position

	Notes	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Assets			
Property and equipment	4	4,483,820	4,945,979
Investment properties	5	15,426,882	15,815,005
Intangible assets		8,228,819	9,339,749
Statutory deposit	7	10,000,000	10,000,000
Fixed deposits	10	217,166,500	175,534,426
Financial assets at fair value through other comprehensive income ("FVTOCI")	6	48,094,356	72,560,169
Financial assets at fair value through profit or loss ("FVTPL")	6	-	4,599,938
Reinsurance contract assets	8	205,039,776	216,156,615
Deferred acquisition cost	19	27,850,641	33,296,302
Insurance and other receivables	9	252,832,264	252,932,099
Bank balances and cash	10	29,583,133	27,651,721
Total assets		818,706,191	822,832,003
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 FVTOCI securities		(454,482)	1,216,481
Retained earnings		11,672,595	6,088,854
Total equity		199,854,429	190,166,651
Liabilities			
Provision for employees' end of service indemnity		6,021,170	5,680,690
Insurance contract liabilities	8	424,646,733	470,297,320
Deferred commission income	20	20,727,379	24,611,953
Insurance and other payables	16	167,456,480	132,075,389
Total liabilities		618,851,762	632,665,352
Total equity and liabilities		818,706,191	822,832,003

This condensed interim financial information was authorised for issue on 26 October 2020 by the board of directors and signed on its behalf by:



Salem Al Sharhan
Chairman



Ewen McRobbie
Chief Executive Officer

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

Condensed interim income statement

	Notes	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
		2020 AED	2019 AED (Restated)	2020 AED	2019 AED (Restated)
Insurance premium revenue earned	21	143,010,757	154,948,365	433,241,996	424,279,851
Insurance premium ceded to reinsurers	21	(56,001,032)	(64,106,493)	(157,867,695)	(180,040,124)
Net insurance premium revenue earned	21	87,009,725	90,841,872	275,374,301	244,239,727
Gross claims settled		(88,014,382)	(116,813,322)	(338,112,063)	(344,737,016)
Reinsurance share of claims settled		27,368,176	53,395,649	140,648,695	160,151,436
Net claims settled		(60,646,206)	(63,417,673)	(197,463,368)	(184,585,580)
Net change in outstanding claims, unallocated loss adjustment expenses and claims incurred but not reported ("IBNR") provisions		5,354,558	(6,539,042)	15,945,738	(3,508,292)
Net change in mathematical reserve		(100,946)	-	(3,549,365)	-
Net claims incurred		(55,392,594)	(69,956,715)	(185,066,995)	(188,093,872)
Gross commission earned		5,790,724	6,226,554	15,996,152	15,384,805
Less: commission incurred		(23,235,076)	(20,253,982)	(57,488,926)	(36,616,074)
Net commission incurred		(17,444,352)	(14,027,428)	(41,492,774)	(21,231,269)
Gross underwriting income		14,172,779	6,857,729	48,814,532	34,914,586
General and administrative expenses		(12,855,438)	(13,654,960)	(38,500,878)	(36,755,303)
Allowance for impairment		(1,232,241)	(294,439)	(5,807,204)	(2,342,863)
Net underwriting income / (loss)		85,100	(7,091,670)	4,506,450	(4,183,580)
Interest income		2,025,779	2,472,815	6,420,881	7,549,002
Investment income-net		3,336,932	144,225	2,913,928	779,938
Other income		10,306	2,845	5,469	6,793
Other expenses		-	555,601	(2,487,987)	(3,487,763)
Profit / (loss) for the period		5,458,117	(3,916,184)	11,358,741	664,390
Basic and diluted earnings / (loss) per share (Note 14)		0.05	(0.03)	0.09	0.01

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

Condensed interim statement of comprehensive income

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2020	2019	2020	2019
	AED	AED	AED	AED
Profit / (loss) for the period	5,458,117	(3,916,184)	11,358,741	664,390
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss:				
Net change in fair value of debt investments designated at FVTOCI	(2,052,841)	816,618	(1,616,766)	4,203,311
Items that will not be reclassified subsequently to profit or loss:				
Net change in fair value of equity investments designated at FVTOCI	88,708	5,010	(54,197)	20,226
Directors' remuneration	-	-	-	(1,490,000)
Total other comprehensive (loss) / income for the period	(1,964,133)	821,628	(1,670,963)	2,733,537
Total comprehensive income / (loss) for the period	3,493,984	(3,094,556)	9,687,778	3,397,927

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 FVTOCI 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	-	-	-	-	664,390	664,390
Other comprehensive income / (loss) for the period	-	-	-	4,223,537	(1,490,000)	2,733,537
Total comprehensive income / (loss) for the period	-	-	-	4,223,537	(825,610)	3,397,927
Issue of bonus shares (Note 18)	5,500,000	-	-	-	(5,500,000)	-
Dividends paid (Note 18)	-	-	-	-	(11,000,000)	(11,000,000)
Balance at 30 September 2019 (unaudited)	<u>115,500,000</u>	<u>47,007,852</u>	<u>20,000,000</u>	<u>873,157</u>	<u>3,572,069</u>	<u>186,953,078</u>
Balance at 1 January 2020 (audited)	115,500,000	47,361,316	20,000,000	1,216,481	6,088,854	190,166,651
Profit for the period	-	-	-	-	11,358,741	11,358,741
Other comprehensive loss for the period	-	-	-	(1,670,963)	-	(1,670,963)
Total comprehensive income / (loss) for the period	-	-	-	(1,670,963)	11,358,741	9,687,778
Issue of bonus shares (Note 18)	5,775,000	-	-	-	(5,775,000)	-
Balance at 30 September 2020 (unaudited)	<u>121,275,000</u>	<u>47,361,316</u>	<u>20,000,000</u>	<u>(454,482)</u>	<u>11,672,595</u>	<u>199,854,429</u>

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

Condensed interim statement of cash flows

	For the nine month period ended 30 September (Unaudited)	
	2020	2019
	AED	AED
Cash flows from operating activities		
Profit for the period	11,358,741	664,390
Adjustments for:		
Depreciation of property and equipment	1,160,945	1,222,725
Amortisation of intangible assets	1,110,930	1,110,929
Depreciation of investment properties	388,123	386,701
Provision for impairment - net	5,807,204	2,342,864
Provision for employees' end of service indemnity	799,547	908,136
Unrealised gain on financial assets at FVTPL	-	(229,416)
Realised loss on sale of financial assets at FVTPL	412,498	-
Realised gain on disposal of financial assets at FVTOCI	(2,854,233)	-
Income from investment properties	(452,294)	(541,356)
Amortisation of premium on FVTOCI debt investments	257,833	281,014
Interest income	(6,420,880)	(7,830,016)
Dividend income	(19,899)	(9,166)
	<u>11,548,515</u>	<u>(1,693,195)</u>
Operating cash flows before changes in working capital and payments of employees' end of service benefits		
Changes in working capital:		
Decrease / (increase) in reinsurance contract assets	11,116,839	(30,509,981)
Decrease / (increase) in deferred acquisition cost	5,445,661	(5,383,038)
(Decrease) / increase in insurance contract liabilities	(45,650,587)	56,065,936
Increase in insurance and other receivables	(7,569,780)	(43,312,020)
Increase in insurance and other payables	35,731,091	2,557,185
Decrease in deferred commission income	(3,884,574)	(909,650)
Net cash generated from / (used in) operations	<u>6,737,165</u>	<u>(23,184,763)</u>
Employees' end of service benefits paid	(459,067)	(242,444)
Directors' remuneration paid	(350,000)	(1,490,000)
Net cash generated from / (used in) operating activities	<u>5,928,098</u>	<u>(24,917,207)</u>
Cash flows from investing activities		
Purchase of property and equipment	(698,785)	(121,199)
Proceeds from sale of financial assets at FVTPL	4,187,440	-
Proceeds from sale of financial assets at FVTOCI	48,461,464	-
Purchase of FVTOCI investments	(23,047,341)	-
Rental income received from investment properties	452,293	541,356
Interest received	8,296,131	4,976,508
Maturities of fixed deposits with banks with original maturities greater than three months	95,650,000	45,000,000
Placements of fixed deposits with banks with original maturities greater than three months	(137,297,888)	(30,000,000)
Net cash (used in) / generated from investing activities	<u>(3,996,686)</u>	<u>20,396,665</u>
Cash flows from financing activities		
Dividends paid	-	(11,000,000)
Increase in bank borrowings	-	2,133,053
Net cash used in financing activities	<u>-</u>	<u>(8,866,947)</u>
Net increase / (decrease) in cash and cash equivalents	<u>1,931,412</u>	<u>(13,387,489)</u>
Net cash and cash equivalents at beginning of the period	27,651,721	55,955,837
Net cash and cash equivalents at end of the period	<u>29,583,133</u>	<u>42,568,348</u>

Principal non-cash transactions:

During the nine-month period ended 30 September 2020, the principal non-cash transaction relates to the bonus share issuance amounting to AED 5.8 million (nine-month period ended 30 September 2019: AED 5.5 million) for no consideration (refer to Note 18).

The notes on pages 8 to 34 form an integral part of this condensed interim financial information.

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

Notes to the condensed interim financial information for the nine month period ended 30 September 2020

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 IFRSs applied in the condensed interim financial information

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in this condensed interim financial information. The application of these revised IFRSs, except where stated, has not had any material impact on the amounts reported for the current and prior periods.

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
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.	

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

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

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

2.1 New and revised IFRSs 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	1 January 2020
The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.	
Key changes include:	
<ul style="list-style-type: none">- 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 a legal 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.	
Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions	1 June 2020
As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	

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

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

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

2.2 New and revised IFRS issued but not yet effective and not early adopted

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 “Insurance contracts”	1 January 2023

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.

Amendments to IFRS 17, ‘Insurance Contracts’

The IASB issued the amendments to IFRS 17, ‘Insurance contracts’, on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB’s targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17.

IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time.

Management anticipates that IFRS 17 will be adopted in the Company’s financial statements on its application date. The application of IFRS 17 will have an impact on amounts reported and disclosures made in the Company’s financial statements in respect of its insurance contracts issued and reinsurance contracts held. 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 nine month period ended 30 September 2020 (continued)

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

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

	Effective for annual periods beginning on or after
New and revised IFRSs	
Amendments to IAS 1, Presentation of financial statements on classification of liabilities	1 January 2022
<p>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.</p>	
Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	1 January 2022
<p>Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.</p> <p>Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.</p>	

The Company is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, where applicable, when they become effective.

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Company’s financial year beginning on 1 January 2020 that would be expected to have a material impact on this condensed interim financial information.

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

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

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 complies 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 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, deferred commission income, fixed deposits and provision for employees' end of service indemnity.

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 nine month period ended 30 September 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.

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

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

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

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, property and equipment, intangible assets and financial assets 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).

3.2 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.

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

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

3 Summary of significant accounting policies (continued)

3.3 Property and equipment (continued)

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.

3.5 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);

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

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

3 Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

Classification and measurement - Financial assets (continued)

- (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).

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.

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

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

3 Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

Classification and measurement - Financial assets (continued)

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.

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 the 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 nine month period ended 30 September 2020 (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 nine month period ended 30 September 2020 (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 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.

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

Notes to the condensed interim financial information for the nine month period ended 30 September 2020 (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 the United Arab Emirates.

During the nine month period ended 30 September 2020, the Company purchased AED 0.7 million (during the year ended 31 December 2019: AED 0.9 million) of various types of property and equipment.

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 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 nine month period ended 30 September 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 30 September 2020 (31 December 2019: Level 2).

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

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

6 Financial investments

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 3.750% to 5.875% per annum and they are redeemable at par from 2021 to 2030 based on their maturity dates.

The movement in the financial investments is as follows:

	FVTPL AED	FVTOCI - debt AED	FVTOCI - equity AED
Balance at 31 December 2018	4,242,288	67,182,979	753,665
Net change in fair value	357,650	4,606,970	(40,109)
Amortisation of premium on FVTOCI debt instruments to profit or loss	-	(375,723)	-
Reversal for impairment	-	432,387	-
Balance at 31 December 2019	4,599,938	71,846,613	713,556
Additions during the period	-	23,047,341	-
Disposals during the period	(4,187,440)	(48,461,464)	-
Net change in fair value	-	(1,616,766)	(54,197)
Realised (loss) / gain on disposal of financial assets at FVTPL/FVTOCI	(412,498)	2,854,233	-
Amortisation of premium on FVTOCI debt instruments to profit or loss	-	(257,833)	-
Reversal of impairment	-	22,873	-
Balance at 30 September 2020	-	47,434,997	659,359

Details of provision for impairment were as follows:

	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Balance at the beginning of the period / year	104,710	537,097
Reversal of impairment during the period / year	(22,873)	(432,387)
Balance at the end of the period / year	81,837	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 banks, 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).

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

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

8 Insurance contract liabilities and reinsurance contract assets

	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Insurance contract liabilities		
Outstanding claims	92,771,869	105,285,383
Unallocated loss adjustment expense reserve	2,072,884	2,303,998
Claims incurred but not reported	57,196,485	69,284,747
Unearned premium	216,936,599	250,283,648
Unexpired risk reserve	41,506,249	32,839,891
Mathematical reserve	14,162,647	10,299,653
	<u>424,646,733</u>	<u>470,297,320</u>
Reinsurance contract assets		
Outstanding claims	(66,603,089)	(69,938,121)
Claims incurred but not reported	(34,498,551)	(40,050,671)
Unearned premium	(70,159,736)	(78,634,048)
Unexpired risk reserve	(32,345,367)	(26,414,371)
Mathematical reserve	(1,433,033)	(1,119,404)
	<u>(205,039,776)</u>	<u>(216,156,615)</u>
Insurance contract liabilities – net		
Outstanding claims	26,168,780	35,347,262
Unallocated loss adjustment expense reserve	2,072,884	2,303,998
Claims incurred but not reported	22,697,934	29,234,076
Unearned premiums	146,776,863	171,649,600
Unexpired risk reserve	9,160,882	6,425,520
Mathematical reserve	12,729,614	9,180,249
	<u>219,606,957</u>	<u>254,140,705</u>

As at 30 September 2020, the gross and net insurance contract liabilities as certified by the Company's appointed actuary, LUX Actuaries & Consultants amounted to AED 409 million and AED 211 million respectively (31 December 2019: AED 470 million and AED 254 million respectively). Management has accounted for the reserves both on gross and net basis based on calculation performed by the internal actuarial team which reflects management's assumptions with regards to prospective loss ratios and prospective expense ratios.

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

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

9 Insurance and other receivables

	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Premium receivable	188,886,294	188,384,187
Reinsurance companies' receivables	41,451,303	64,482,751
Insurance agents and brokers receivables	392,495	432,245
Due from related parties	45,415,306	14,673,427
Accrual of interest and other income	8,563,847	10,419,199
Advances and prepayments	11,625,194	12,498,854
Other receivables	949,086	1,078,434
	<u>297,283,525</u>	<u>291,969,097</u>
Less: Allowance for impairment	<u>(44,451,261)</u>	<u>(39,036,998)</u>
	<u>252,832,264</u>	<u>252,932,099</u>

Movement in the allowance for impairment was as follows:

	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Balance at the beginning of the period / year	39,036,998	38,235,258
Provision for impairment during the period / year	5,814,263	2,391,547
Write-off during the period / year	(400,000)	(1,589,807)
Balance at the end of the period / year	<u>44,451,261</u>	<u>39,036,998</u>

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

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

10 Bank balances and cash

	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Cash in hand	31,362	72,341
Current accounts with banks	29,551,771	27,579,380
Total cash and current accounts with banks (A)	<u>29,583,133</u>	<u>27,651,721</u>
Fixed deposits with maturities greater than 3 months	217,003,330	175,355,442
Fixed deposits under lien	300,000	300,000
Less: Allowance for impairment	(136,830)	(121,016)
Total fixed deposits (B)	<u>217,166,500</u>	<u>175,534,426</u>
Total bank balances and cash (A + B)	246,749,633	203,186,147
Less: Deposits with maturities greater than three months	(216,866,500)	(175,234,426)
Less: Fixed deposits under lien	(300,000)	(300,000)
Cash and cash equivalents	<u>29,583,133</u>	<u>27,651,721</u>

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

The interest rates on fixed deposits with banks range between 1% 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:

	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Balance at the beginning of the period / year	121,016	563,593
Provision / (reversal of provision) for impairment during the period / year	15,814	(442,577)
Balance at for the period / year	<u>136,830</u>	<u>121,016</u>

11 Share capital

	As at 30 September 2020 (Unaudited) AED	As at 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)	<u>121,275,000</u>	<u>115,500,000</u>

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

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

11 Share capital (continued)

At the Annual General Meeting held on 31 March 2020, the shareholders approved a 5% 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% 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 has amended 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. No transfer to statutory reserve was made during the nine month period ended 30 September 2020 or the year ended 31 December 2019.

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 utilized for any other purpose unless approved by the Shareholders’ General Assembly. No transfer to voluntary reserve was made during the nine month period ended 30 September 2020 or the year ended 31 December 2019.

14 Basic and diluted earnings per share

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2020	2019 (Restated)	2020	2019 (Restated)
Profit / (loss) for the period (in AED)	5,458,117	(3,916,184)	11,358,741	664,390
Number of shares	121,275,000	121,275,000	121,275,000	121,275,000
Basic and diluted earnings per share (in AED)	0.05	(0.03)	0.09	0.01

Basic earnings per share are calculated by dividing the profit / (loss) 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. In accordance with the requirements of IAS 33, the basic earnings per share in the condensed interim financial information, following the share capital bonus issue (refer note 11), for the comparative period have been restated. The basic and diluted earnings per share for the comparative period were calculated by using the new number of shares.

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

Notes to the condensed interim financial information for the nine month period ended 30 September 2020 (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:

	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Due from Parent company (premium receivable)	<u>39,920,050</u>	<u>4,277,298</u>
Due from directors (premium receivable)	<u>76,900</u>	<u>45,482</u>
Due from other related parties (premium receivable)	<u>5,418,356</u>	<u>10,350,647</u>
Due to Parent company	<u>(7,883,939)</u>	<u>-</u>
Due to other related parties (claim payable)	<u>(496,052)</u>	<u>(133,724)</u>
Fixed deposits placed with Parent company	<u>46,950,000</u>	<u>21,150,000</u>
Bank balances placed with Parent company	<u>21,722,117</u>	<u>21,226,749</u>

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

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

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

15 Related party balance and transactions (continued)

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

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2020 AED	2019 AED	2020 AED	2019 AED
Gross premium written (parent company)	47,903,336	15,978,418	83,591,287	29,021,988
Gross premium written (directors)	22,299	7,217	126,834	59,336
Gross premium written (other related parties)	987,632	716,138	11,567,978	11,550,627
Claims paid (parent company)	(10,805,609)	(11,569,602)	(28,179,345)	(29,548,627)
Claims paid (directors)	-	(40)	-	(3,428)
Claims paid (other related parties)	(528,492)	(240,530)	(1,854,827)	(2,519,553)
Commission expenses (parent company)	(15,338,415)	-	(26,079,600)	(6,979)
Dividends (parent company)	-	-	-	(8,715,498)
Dividends (directors)	-	-	-	(1,406,934)
Interest cost (parent company)	-	(328,845)	-	(1,010,912)

During nine month period ended 30 September 2020, the Company has sold financial assets at FVTPL and FVTOCI amounting to AED 53 million (30 September 2019: nil) through the Parent company to external parties.

15.3 Key management personnel compensation

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2020 AED	2019 AED	2020 AED	2019 AED
Board of directors remuneration	375,000	-	1,475,000	1,490,000
Short-term benefits	1,037,552	1,594,299	3,814,573	4,083,803
Long-term benefits	36,547	65,532	120,438	179,336

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

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

16 Insurance and other payables

	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Payable to third party administrators and suppliers	42,829,253	42,772,935
Reinsurance companies	69,124,924	45,801,246
Due to related parties	8,379,991	133,724
Accrued expenses	17,791,868	13,256,636
Employees' benefits	1,742,809	1,000,000
Commission payable	20,744,087	22,318,377
Other payable balances	4,898,178	4,736,711
Dividend payable	1,945,370	2,055,760
	<u>167,456,480</u>	<u>132,075,389</u>

17 Contingent liabilities

	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Letters of guarantee	<u>10,689,301</u>	<u>10,690,028</u>

Letters of guarantee includes AED 10 million (31 December 2019: AED 10 million) issued in favour of the 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).

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

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

19 Deferred acquisition cost

	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Balance at the beginning of the period / year	33,296,302	37,810,690
Acquisition costs paid during the period / year	52,043,265	47,431,921
Amortisation charge for the period / year	(57,488,926)	(51,946,309)
Balance at the end of the period / year	<u>27,850,641</u>	<u>33,296,302</u>

In preparation for the UAE Insurance Authority Board of Directors' Decision no. (49) of 2019, the Company changed the accounting for the credit life arrangement with the Parent company with effect from 1 May 2020. The existing policies were treated in accordance with 'IA Board of Director's Decision No. 49', Article 15. This change has resulted in an increase in gross written premium and a corresponding increase in commission expense payable to the Parent company. New policies written after 16 October 2020 will follow the commission caps stipulated by the regulation.

20 Deferred commission income

	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED
Balance at the beginning of the period / year	24,611,953	30,482,575
Commission received during the period / year	12,111,578	16,398,473
Commission income earned during the period / year	(15,996,152)	(22,269,095)
Balance at the end of the period / year	<u>20,727,379</u>	<u>24,611,953</u>

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

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

21 Net insurance premium revenue

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2020	2019	2020	2019
	AED	AED	AED	AED
Gross written premiums				
Gross written premiums	137,267,576	139,194,866	408,561,305	471,465,414
Change in unearned premium and unexpired risk reserve (Note 8)	5,743,181	15,753,499	24,680,691	(47,185,563)
	<u>143,010,757</u>	<u>154,948,365</u>	<u>433,241,996</u>	<u>424,279,851</u>
Reinsurance premium ceded				
Reinsurance premium ceded	43,476,304	65,025,887	155,324,379	205,178,024
Change in unearned premium and unexpired risk reserve (Note 8)	12,524,728	(919,394)	2,543,316	(25,137,900)
	<u>56,001,032</u>	<u>64,106,493</u>	<u>157,867,695</u>	<u>180,040,124</u>
Net insurance premium revenue	<u>87,009,725</u>	<u>90,841,872</u>	<u>275,374,301</u>	<u>244,239,727</u>

22 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:

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2020	2019	2020	2019
	AED	AED	AED	AED
Motor	10,973,208	9,552,753	43,270,796	32,484,034
Marine and aviation	448,981	893,209	2,869,970	4,004,402
Life	26,428,862	18,440,262	66,622,115	37,277,772
Medical	84,316,404	88,409,334	224,881,313	327,620,952
Engineering, fire, general accident and others	15,100,121	21,899,308	70,917,111	70,078,254
	<u>137,267,576</u>	<u>139,194,866</u>	<u>408,561,305</u>	<u>471,465,414</u>

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

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

22 Segment information (continued)

	For the nine month period ended 30 September 2020 (Unaudited)			For the nine month period ended 30 September 2019 (Unaudited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment revenue	408,561,305	-	408,561,305	471,465,414	-	471,465,414
Segment result	4,506,450	9,340,278	13,846,728	(4,183,580)	8,335,733	4,152,153
Unallocated costs (net)			(2,487,987)			(3,487,763)
Profit for the period			<u>11,358,741</u>			<u>664,390</u>

	As at 30 September 2020 (Unaudited)			As at 31 December 2019 (Audited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	496,022,681	280,387,738	776,410,419	512,385,016	268,509,538	780,894,554
Unallocated assets			42,295,772			41,937,449
Total assets			<u>818,706,191</u>			<u>822,832,003</u>
Segment liabilities	604,946,653	7,883,939	612,830,592	626,984,662	-	626,984,662
Unallocated liabilities			6,021,170			5,680,690
Total liabilities			<u>618,851,762</u>			<u>632,665,352</u>

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

23 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

23.1 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.

23.2 Fair value of financial instruments carried at fair value

23.2.1 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.

23.2.2 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 an 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 interim financial information for the nine month period ended 30 September 2020 (continued)

23 Fair value measurements (continued)

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

23.2.2 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		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	As at 30 September 2020 (Unaudited) AED	As at 31 December 2019 (Audited) AED				
FVTOCI:						
Quoted debt securities	47,434,997	71,846,613	Level 1	Quoted bid prices in an active market	None	N/A
Quoted equity securities	659,359	713,556	Level 1	Quoted bid prices in an active market	None	N/A
FVTPL:						
Funds	-	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.

24 Prior period adjustments and comparative information

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".

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

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

24 Prior period adjustments and comparative information (continued)

	As previously reported for the three month period ended 30 September 2019 (Unaudited) AED	Adjustments (Unaudited) AED	As restated for the three month period ended 30 September 2019 (Restated) AED
Gross claims incurred	(136,566,912)	(132,819)	(136,699,731)
Net claims incurred	(69,823,895)	(132,819)	(69,956,714)
Commission incurred	(20,386,801)	132,819	(20,253,982)
Net commission incurred	(14,160,248)	132,819	(14,027,429)

	As previously reported for the nine month period ended 30 September 2019 (Unaudited) AED	Adjustments (Unaudited) AED	As restated for the nine month period ended 30 September 2019 (Restated) AED
Gross claims incurred	(338,734,936)	(14,882,453)	(353,617,389)
Net claims incurred	(173,211,418)	(14,882,453)	(188,093,871)
Commission incurred	(51,498,527)	14,882,453	(36,616,074)
Net commission incurred	(36,113,716)	14,882,453	(21,231,263)

25 Covid-19 and the current economic situation

As a result of the coronavirus (Covid-19) spread, 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. Despite the lockdowns being lifted and activities resuming to the “new normal” in the United Arab Emirates, the full impact of Covid-19 on the economy cannot be reliably measured. Consistent with the market sentiment, management expects that the uncertain future macro-economic environment could impact the earnings, cash flows and financial condition of the Company as well as those of our counter parties. The Company is monitoring these metrics on a regular basis and will respond to any threats identified.

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

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

During the nine month period ended 30 September 2020, the Company had 987 reported medical claims in relation to COVID-19. The net exposure of the medical claims due to COVID-19 amounted to AED 6.44 million. As at the date of the statement of financial position, the Company has been notified of two business interruption claims, which are immaterial to the condensed interim financial information for the nine-month period ended 30 September 2020. The impact on life insurance is minimal at this point. The Company is monitoring its loss experience and appropriately enhancing its technical reserves as at 30 September 2020.

Management has increased its focus on managing its cash flows and collections on outstanding receivables. This is reflected in the improved ageing of receivables as at 30 September 2020 as compared to 31 December 2019.

The Company is continuing with its business continuity and remote working plans and continues to provide services to its 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 on a regular basis as part of the Company's reporting obligations.

26 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 nine month period ended 30 September 2020.

27 Approval of the condensed interim financial information

The condensed interim financial information was approved by the board of directors and authorised for issue on 26 October 2020.