

**AL FUJAIRAH NATIONAL INSURANCE  
COMPANY P.S.C.**

**Condensed interim financial statements (Unaudited)  
For the nine months period ended 30 September 2019**

## **BOARD OF DIRECTOR'S REPORT**

### **For the period ended 30 September 2019**

The Company achieved in the first nine months of 2019 Net Profit of Dhs 24.78 million compared with Dhs 33.58 million for the same period last year.

The Premium Revenue is Dhs 205.00 million for the first 9 months of 2019 compared to Dhs 194.64 million for the same period last year.

The Net Technical Insurance profit for the period ended September 30<sup>th</sup> 2019 is Dhs 24.87 million compared to Dhs 32.86 million for the same period of the last year.

The Company's Net Investment profit is Dhs 9.30 million for the first 9 months at 2019, as compared with Dhs 8.29 million for the same period of last year.

The Net shareholders equity is Dhs 279.18 million as on 30<sup>th</sup> September 2019, compared to Dhs 245.68 million as on 31<sup>st</sup> December 2018.

The basic Earnings per share at 30<sup>th</sup> September 2019 is Dhs 22.53 as compared to Dhs 33.58 for the same period for 2018.



**CHAIRMAN**

**14.11.19**





# Grant Thornton

An instinct for growth™

**Grant Thornton  
United Arab Emirates**

Rolex Tower  
Level 23  
Sheikh Zayed Road  
P.O. Box 1620  
Dubai

## **Review report of the Independent Auditor To the shareholders of Al Fujairah National Insurance Company P.S.C.**

**T** +971 4 388 9925  
**F** +971 4 388 9915

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Al Fujairah National Insurance Company P.S.C. (the "Company") as of 30 September 2019 and the related condensed interim statement of income, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### **Scope of review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

*Grant Thornton*

**Grant Thornton  
Farouk Mohamed  
Registration No: 86**



**Dubai, 14 November 2019.**

**Al Fujairah National Insurance Company P.S.C.**  
**Condensed interim financial statements (Unaudited)**

**Condensed interim statement of financial position**  
**As at 30 September 2019**

	Notes	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
<b>ASSETS</b>			
Property and equipment	3	42,719,820	22,159,183
Investment properties	6	84,550,000	84,550,000
Financial assets	7	200,667,277	180,414,286
Statutory deposit	8	10,000,000	10,000,000
Re-insurance contract assets	9	52,035,846	46,738,385
Insurance and other receivables		66,907,678	62,462,607
Due from related parties	17	2,688,921	1,901,846
Bank balances and cash	10	161,071,935	130,349,968
<b>Total assets</b>		<b>620,641,477</b>	<b>538,576,275</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	110,000,000	100,000,000
Statutory reserve		32,280,179	32,280,179
General reserve		28,435,019	28,435,019
Cumulative changes in fair value of financial assets at FVTOCI		37,961,579	22,192,049
Property revaluation reserve		11,205,588	11,205,588
Retained earnings		59,301,419	51,574,027
<b>Total equity</b>		<b>279,183,784</b>	<b>245,686,862</b>
<b>Liabilities</b>			
Provision for employees' end of service indemnity		16,079,688	15,068,307
Insurance contract liabilities	9	242,871,932	226,589,265
Insurance and other payables		61,227,751	51,231,841
Lease liabilities	3	21,278,322	-
<b>Total liabilities</b>		<b>341,457,693</b>	<b>292,889,413</b>
<b>Total equity and liabilities</b>		<b>620,641,477</b>	<b>538,576,275</b>

Chairman

Chief Executive  
Officer

The accompanying notes from 1 to 22 form an integral part of these condensed interim financial statements.

**Al Fujairah National Insurance Company P.S.C.**  
**Condensed interim financial statements (Unaudited)**

**Condensed interim statement of income**  
**For the nine months period ended 30 September 2019**

	Notes	(Unaudited) Three months period ended 30 September 2019 AED	(Unaudited) Three months period ended 30 September 2018 AED	(Unaudited) Nine months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2018 AED
Insurance premium revenue	12	69,899,435	67,880,359	205,006,563	194,644,728
Insurance premium ceded to re-insurers	12	(16,752,006)	(13,744,059)	(42,446,709)	(39,478,736)
<b>Net insurance premium revenue</b>	12	<b>53,147,429</b>	54,136,300	<b>162,559,854</b>	155,165,992
Gross claims incurred		(34,107,756)	(36,128,478)	(104,942,477)	(99,117,796)
Insurance claims (paid to) / recovered from re-insurers		(6,195)	3,357,510	12,096,008	14,133,162
<b>Net claims incurred</b>		<b>(34,113,951)</b>	(32,770,968)	<b>(92,846,469)</b>	(84,984,634)
Gross commission earned		1,664,967	1,276,944	5,828,869	5,331,724
Less: commission incurred		(4,872,177)	(5,432,364)	(13,095,701)	(12,343,060)
<b>Net commission incurred</b>		<b>(3,207,210)</b>	(4,155,420)	<b>(7,266,832)</b>	(7,011,336)
<b>Underwriting profit</b>		<b>15,826,268</b>	17,209,912	<b>62,446,553</b>	63,170,022
General and administrative expenses relating to underwriting activities		(11,563,836)	(9,571,825)	(37,574,337)	(30,309,962)
<b>Net underwriting profit</b>		<b>4,262,432</b>	7,638,087	<b>24,872,216</b>	32,860,060
Income from investments and others		2,154,931	1,797,403	9,305,638	8,298,671
Unallocated general and administrative expenses		(2,890,959)	(2,392,956)	(9,393,584)	(7,577,490)
<b>Profit for the period</b>		<b>3,526,404</b>	7,042,534	<b>24,784,270</b>	33,581,241
<b>Basic earnings per share</b>	13	<b>3.21</b>	7.04	<b>22.53</b>	33.58

The accompanying notes from 1 to 22 form an integral part of these condensed interim financial statements.

**Al Fujairah National Insurance Company P.S.C.**  
**Condensed interim financial statements (Unaudited)**

**Condensed interim statement of comprehensive income**  
**For the nine months period ended 30 September 2019**

	(Unaudited) Three months period ended 30 September 2019 AED	(Unaudited) Three months period ended 30 September 2018 AED	(Unaudited) Nine months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2018 AED
Profit for the period	<b>3,526,404</b>	7,042,534	<b>24,784,270</b>	33,581,241
<b>Other comprehensive income:</b>				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net fair value gain / (loss) on investments designated at FVTOCI	<b>5,709,560</b>	360,507	<b>16,136,375</b>	(27,722,918)
Gain on sale of investments designated at FVTOCI	<b>461,339</b>	1,361,046	<b>2,934,125</b>	1,815,832
<b>Other comprehensive income / (loss) for the period</b>	<b>6,170,899</b>	1,721,553	<b>19,070,500</b>	(25,907,086)
<b>Total comprehensive income for the period</b>	<b>9,697,303</b>	8,764,087	<b>43,854,770</b>	7,674,155

The accompanying notes from 1 to 22 form an integral part of these condensed interim financial statements

**Al Fujairah National Insurance Company P.S.C.**  
**Condensed interim financial statements (Unaudited)**

**Condensed interim statement of changes in equity**  
**For the nine months period ended 30 September 2019**

	Share capital AED	Statutory reserve AED	General reserve AED	Cumulative changes in fair value of financial assets at FVTOCI AED	Property revaluation reserve AED	Retained earnings AED	Total equity AED
Balance at 1 January 2018 (audited)	100,000,000	29,134,458	25,289,298	33,388,396	11,205,588	34,712,009	233,729,749
Profit for the nine months period ended 30 September 2018	-	-	-	-	-	33,581,241	33,581,241
Other comprehensive (loss) / income for the period	-	-	-	(27,722,918)	-	1,815,832	(25,907,086)
Total comprehensive income for the period	-	-	-	(27,722,918)	-	35,397,073	7,674,155
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	(257,786)	-	257,786	-
Dividends (note 14)	-	-	-	-	-	(10,000,000)	(10,000,000)
Balance at 30 September 2018 (Unaudited)	100,000,000	29,134,458	25,289,298	5,407,692	11,205,588	60,366,868	231,403,904
Balance at 1 January 2019 (audited)	100,000,000	32,280,179	28,435,019	22,192,049	11,205,588	51,574,027	245,686,862
Impact of adopting IFRS 16 (note 3)	-	-	-	-	-	(357,848)	(357,848)
As at 1 January 2019 (unaudited)	100,000,000	32,280,179	28,435,019	22,192,049	11,205,588	51,216,179	245,329,014
Profit for the nine months period ended 30 September 2019	-	-	-	16,136,375	-	24,784,270	24,784,270
Other comprehensive income for the period	-	-	-	16,136,375	-	2,934,125	19,070,500
Total comprehensive income for the period	-	-	-	16,136,375	-	27,718,395	43,854,770
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	(366,845)	-	366,845	-
Increase in capital through bonus issue	10,000,000	-	-	-	-	(10,000,000)	-
Dividends (note 14)	-	-	-	-	-	(10,000,000)	(10,000,000)
<b>Balance at 30 September 2019 (Unaudited)</b>	<b>110,000,000</b>	<b>32,280,179</b>	<b>28,435,019</b>	<b>37,961,579</b>	<b>11,205,588</b>	<b>59,301,419</b>	<b>279,183,784</b>

The accompanying notes from 1 to 22 form an integral part of these condensed interim financial statements.

**Al Fujairah National Insurance Company P.S.C.**  
**Condensed interim financial statements (Unaudited)**

**Condensed interim statement of cash flows**  
**For the nine months period ended 30 September 2019**

	(Unaudited) Nine months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2018 AED
<b>Cash flows from operating activities</b>		
Profit for the period	24,784,270	33,581,241
Adjustments for:		
Depreciation of property and equipment (note 5)	12,288,698	1,851,250
Gain on disposal of property & equipment	(13,047)	(228,709)
Provision for employees' end of service indemnity	1,484,156	1,828,867
Loss on investments at FVTPL	300,917	1,398,331
Other investment income	(10,383,617)	(9,468,293)
Interest on lease liabilities	804,664	-
<b>Operating cash flow before changes in operating assets and liabilities</b>	<b>29,266,041</b>	<b>28,962,687</b>
(Increase) / decrease in reinsurance contract assets	(5,297,461)	1,188,498
Increase in insurance contracts liabilities	16,282,667	20,518,037
Increase in insurance and other receivables	(5,232,147)	(25,219,350)
Increase in insurance and other payables	9,995,910	5,286,271
<b>Cash generated from operations</b>	<b>45,015,010</b>	<b>30,736,143</b>
Employees' end of service indemnity paid	(472,775)	(85,749)
<b>Net cash generated from operating activities</b>	<b>44,542,235</b>	<b>30,650,394</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment (note 5)	(3,056,249)	(3,624,839)
Increase in investment in fixed deposits with maturity over 3 months	(49,325,869)	(21,086,550)
Purchase of investment in securities	(48,729,378)	(14,103,012)
Proceeds from disposal of investments	47,358,502	7,655,770
Interest received	3,465,149	2,185,432
Proceeds from disposal of property and equipment	17,459	228,709
Dividends received	5,738,072	5,923,957
Income from investment properties	1,067,865	1,243,369
<b>Net cash used in investing activities</b>	<b>(43,464,449)</b>	<b>(21,577,164)</b>
<b>Cash flows from financing activities</b>		
Payment of lease liabilities	(9,681,688)	-
Dividends paid	(10,000,000)	(10,000,000)
<b>Net cash used in financing activities</b>	<b>(19,681,688)</b>	<b>(10,000,000)</b>
Net decrease in cash and cash equivalents	(18,603,902)	(926,770)
Cash and cash equivalents, at the beginning of the period	72,517,258	49,156,871
<b>Cash and cash equivalents, at the end of the period (note 15)</b>	<b>53,913,356</b>	<b>48,230,101</b>

The accompanying notes from 1 to 22 form an integral part of these condensed interim financial statements.



# Al Fujairah National Insurance Company P.S.C.

## Condensed interim financial statements (Unaudited)

### Notes to the condensed interim financial statements

#### For the nine months period ended 30 September 2019

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#### **1. Legal status and activities**

Al Fujairah National Insurance Company P.S.C. (the “Company”) is incorporated as a public shareholding Company by Emiri Decree No. 3 issued by His Highness, The Ruler of Fujairah in October 1976. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, concerning formation of the Insurance Authority of U.A.E. and regulation of its operations and is registered in the Insurance Companies Register of the Insurance Authority of U.A.E. under registration number (11). The address of the Company’s registered office is P.O. Box 277, Fujairah, United Arab Emirates.

The Company’s ordinary shares are listed on Abu Dhabi Securities Exchange, United Arab Emirates.

The principal activity of the Company is the writing of all classes of general insurance and short term life insurance. The company operates through its head office in Fujairah and branch offices in Dubai, Abu Dhabi, Sharjah and Dibba.

#### **2. General information and basis of preparation**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, “*Interim Financial Reporting*” and also comply with the applicable requirements of the laws in the U.A.E.

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company’s transactions are denominated.

These condensed interim financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and investment properties.

The accounting policies, presentation and methods in these condensed interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2018 except for the changes in the accounting policies implemented by management from 1 January 2019.

The Company’s financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended 31 December 2018.

These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements as at and for the year ended 31 December 2018. In addition, results for the nine months period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

#### **3. Summary of significant accounting policies**

These condensed interim financial statements have been prepared in accordance with the accounting policies adopted in the Company’s most recent annual financial statements for the year ended 31 December 2018. Certain amendments to accounting standards and annual improvements, as disclosed in the Company’s most recent annual financial statements for the year ended 31 December 2018, are applicable on the Company but do not have any material impact on these condensed interim financial statements.

**Al Fujairah National Insurance Company P.S.C.**  
**Condensed interim financial statements (Unaudited)**

**Notes to the condensed interim financial statements**  
**For the nine months period ended 30 September 2019**

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**3. Summary of significant accounting policies (continued)**

**Standards, interpretations and amendments to existing standards – Impact of new IFRS**

The Company has adopted IFRS 16 – Leases on its effective date of 1 January 2019 using the retrospective approach. IFRS 16 replaces IAS 17 ‘Leases’. Leases will be recorded in the condensed interim statement of financial position in the form of a right-of-use asset and a lease liability.

Subsequent to implementation of IFRS 16, the Company recognises a right-to-use asset and a lease liability at the lease commencement date. The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus as initial direct costs incurred. The right-of-use is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use or the end of the lease term. The estimated useful life of the right-to-use asset is determined on the same basis as those of property and equipment. In addition, the right-to-use is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rates as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in the profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

The Company presents right-to-use assets that do not meet the definition of investment property in ‘Property and equipment’ and the lease liabilities as a separate item in the condensed interim statement of financial position.

The Company has adopted IFRS 16 using the modified retrospective transition approach as of 1 January 2019 and therefore the comparative information has not been restated. All right-of-use assets were measured at their carrying amounts as if the standard had been applied since the commencement date but discounted using the lessee’s incremental borrowing rate at the date of initial application. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The impact arising from the implementation of this standard in these condensed interim financial statements is on the next page.

**Al Fujairah National Insurance Company P.S.C.**  
**Condensed interim financial statements (Unaudited)**

**Notes to the condensed interim financial statements**  
**For the nine months period ended 30 September 2019**

**3. Summary of significant accounting policies (continued)**

**Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)**

	(Unaudited) 30 September 2019 AED
<b>Property and equipment</b>	
Property and equipment	22,554,405
Right of use – land and buildings	20,165,415
	<u>42,719,820</u>
<b>Right-of-use assets</b>	
Balance as at 1 January 2019 (Unaudited)	29,797,498
Depreciation charge for the period	(9,632,083)
<b>Balance as at 30 September 2019 (Unaudited)</b>	<u>20,165,415</u>
<b>Lease liabilities</b>	
Balance as at 1 January 2019 (Unaudited)	30,155,346
Lease payments made during the nine month period ended 30 September 2019	(9,681,688)
Interest on lease liabilities	804,664
<b>Balance as at 30 September 2019 (Unaudited)</b>	<u>21,278,322</u>
	(Unaudited) Nine months period ended 30 September 2019 AED
<b>Amounts recognised in the condensed interim statement of income</b>	
<b>General and administrative expenses</b>	
Interest expense on lease liabilities	804,664
Depreciation of right-to-use assets	9,632,083
	<u>10,436,747</u>
<b>Impact on opening retained earnings</b>	31 December 2018 AED
Right-to-use assets	29,797,498
Lease liabilities	(30,155,346)
	<u>(357,848)</u>

**Property and equipment**

Capital work in progress is stated at cost, less any impairment loss. Depreciation of these assets, on the same basis as other property assets commences when the assets are ready for their intended use.

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, other than capital work in progress, 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.

**Al Fujairah National Insurance Company P.S.C.**  
**Condensed interim financial statements (Unaudited)**

**Notes to the condensed interim financial statements**  
**For the nine months period ended 30 September 2019**

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**3 Summary of significant accounting policies (continued)**

**Property and equipment (continued)**

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 useful lives used in the calculation of depreciation of property and equipment, other than capital work in progress, are as follows:

	Years
Freehold property	30
Motor vehicles	5
Furniture and office equipment	4-5
Fujairah scrap yard improvements	10

**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. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

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.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors.

**Al Fujairah National Insurance Company P.S.C.**  
**Condensed interim financial statements (Unaudited)**

**Notes to the condensed interim financial statements**  
**For the nine months period ended 30 September 2019**

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**3. Summary of significant accounting policies (continued)**

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss.

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

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

For a financial asset that is a debt instrument to be measured at FVTOCI it must be held in a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

Investments in equity instruments 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 reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to income statement, but is reclassified to retained earnings.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI.

**Impairment of financial assets**

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

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

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

**Al Fujairah National Insurance Company P.S.C.**  
**Condensed interim financial statements (Unaudited)**

**Notes to the condensed interim financial statements**  
**For the nine months period ended 30 September 2019**

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**3. Summary of significant accounting policies (continued)**

**Impairment of financial assets (continued)**

**Measurement of ECL**

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

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

The Company has assessed that the impact of IFRS 9 is not material on the condensed interim financial statements of the Company as at the reporting date.

**4. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of condensed financial statements requires management to make judgements, estimates and assumptions that affect 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 these condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the year ended 31 December 2018.

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**5. Property and equipment**

Property and equipment additions during the current period amounted to AED 3,056,249 (nine months period ended 30 September 2018: AED 3,624,839) and right of use – land and buildings additions amounted to AED 29,797,498 (nine months period ended 30 September 2018: NIL)

Depreciation charges for the current period amounted to AED 12,288,698 nine months period ended 30 September 2018: AED 1,851,250).

All the properties and equipment are located in U.A.E.

**6. Investment properties**

All the investment properties are stated at fair value and are located in U.A.E.

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Fair value at the beginning of the period / year	84,550,000	90,675,000
Decrease in fair value during the period / year	-	(6,125,000)
	<u>84,550,000</u>	<u>84,550,000</u>

Investment properties represent the fair value of two buildings and plots of land which are located in Fujairah, U.A.E.

**7. Financial assets**

The Company's financial investments at the end of reporting period are as follows:

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
<b>Financial investment designated at FVTOCI</b>		
Quoted equity securities	125,251,284	112,877,681
Unquoted equity securities	29,551,722	30,162,553
Mutual funds	4,691,993	4,446,160
	<u>159,494,999</u>	<u>147,486,394</u>
<b>Financial investments at FVTPL</b>		
Quoted U.A.E. equity securities	<u>14,467,840</u>	<u>9,292,536</u>
<b>Financial investments at amortised cost</b>		
Quoted debt instruments	20,362,258	17,293,176
Unquoted debt instruments	6,342,180	6,342,180
	<u>26,704,438</u>	<u>23,635,356</u>
<b>Total financial investments</b>	<u>200,667,277</u>	<u>180,414,286</u>

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**7. Financial assets (continued)**

The movements in investments in securities are as follows:

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
<b>At fair value through other comprehensive income</b>		
Fair value at the beginning of the period / year	147,486,394	152,619,253
Purchases during the period / year	16,653,491	11,163,115
Disposals during the period / year	(20,781,261)	(4,879,715)
Net increase / (decrease) in fair value	<u>16,136,375</u>	<u>(11,416,259)</u>
<b>Fair value at the end of the period / year</b>	<b><u>159,494,999</u></b>	<b><u>147,486,394</u></b>

Investments at FVTOCI comprise of the following:

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Within U.A.E.	138,783,373	133,105,582
Outside U.A.E.	<u>20,711,626</u>	<u>14,380,812</u>
	<b><u>159,494,999</u></b>	<b><u>147,486,394</u></b>

Mutual funds comprise of investment in local and international funds which are administered by financial institutions domiciled in U.A.E.

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
<b>At fair value through profit or loss</b>		
Fair value at the beginning of the period / year	9,292,536	11,116,773
Purchased during the period / year	13,780,420	3,203,237
Disposals during the period / year	(8,304,198)	(1,049,530)
Net decrease in fair value	<u>(300,918)</u>	<u>(3,977,944)</u>
<b>Fair value at the end of the period / year</b>	<b><u>14,467,840</u></b>	<b><u>9,292,536</u></b>

All financial investments at FVTPL are held in U.A.E.



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**7. Financial assets (continued)**

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
<b>At amortised cost</b>		
Amortised cost at the beginning of the period / year	23,635,356	16,600,610
Purchased during the period / year	18,295,466	7,034,746
Disposals during the period / year	<u>(15,226,384)</u>	-
<b>Amortised cost at the end of the period / year</b>	<u><b>26,704,438</b></u>	<u><b>23,635,356</b></u>

Fair value of financial investments recorded at amortised cost approximates the carrying amount of such investments.

Investments at amortised cost comprise the following:

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Within U.A.E.	6,342,180	6,342,180
Outside U.A.E.	<u>20,362,258</u>	<u>17,293,176</u>
	<u><b>26,704,438</b></u>	<u><b>23,635,356</b></u>

**8. Statutory deposit**

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Statutory deposit maintained in accordance with Article 42 of U.A.E., Federal Law No. 6 of 2007	<u><b>10,000,000</b></u>	<u><b>10,000,000</b></u>

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**9. Insurance contract liabilities and re-insurance contract assets**

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
<b>Gross</b>		
Insurance contract liabilities:		
Claims reported unsettled	78,300,873	69,263,824
Claims incurred but not reported	31,378,475	32,515,177
Unearned premiums	133,192,584	124,810,264
<b>Total insurance contract liabilities, gross</b>	<u>242,871,932</u>	<u>226,589,265</u>
<b>Recoverable from reinsurers</b>		
Claims reported unsettled	(30,503,620)	(27,947,853)
Claims incurred but not reported	(5,778,350)	(5,125,281)
Unearned premiums	(15,753,876)	(13,665,251)
<b>Total reinsurers' share of insurance assets</b>	<u>(52,035,846)</u>	<u>(46,738,385)</u>
<b>Net</b>		
Claims reported unsettled	47,797,253	41,315,971
Claims incurred but not reported	25,600,125	27,389,896
Unearned premiums	117,438,708	111,145,013
	<u>190,836,086</u>	<u>179,850,880</u>

**10. Bank balances and cash**

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Bank balances:		
Call and current accounts	42,641,506	40,812,613
Fixed deposits	118,214,120	89,330,075
Cash on hand	216,309	207,280
	<u>161,071,935</u>	<u>130,349,968</u>

Bank balances are maintained with banks registered in United Arab Emirates.

Fixed deposits amounting to AED 2 million (31 December 2018: AED 2 million) are under lien in respect of bank credit facility granted to the Company (note 15).

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**11. Share capital**

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Issued and fully paid: 1,100,000 ordinary shares (2018: 1,000,000 ordinary shares) of AED 100 each	<u>110,000,000</u>	<u>100,000,000</u>

The Shareholders' General Assembly held on 28 April 2019 approved the issuance of bonus shares at 10% of share capital amounting to AED 10 million for the year 2018. During the period, the share capital of the Company is increased by AED 10 million by the issue of 100,000 bonus shares.

**12. Net insurance premium revenue**

	(Unaudited) Three months period ended 30 September 2019 AED	(Unaudited) Three months period ended 30 September 2018 AED	(Unaudited) Nine months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2018 AED
<b>Gross premium written</b>				
Gross premium written	60,722,535	57,768,628	213,388,883	204,481,377
Change in unearned premium	9,176,900	10,111,731	(8,382,320)	(9,836,649)
	<u>69,899,435</u>	<u>67,880,359</u>	<u>205,006,563</u>	<u>194,644,728</u>
<b>Reinsurance premium ceded</b>				
Reinsurance premium ceded	(12,312,326)	(8,062,211)	(44,535,336)	(40,629,068)
Change in unearned premium	(4,439,680)	(5,681,848)	2,088,627	1,150,332
	<u>(16,752,006)</u>	<u>(13,744,059)</u>	<u>(42,446,709)</u>	<u>(39,478,736)</u>
<b>Net insurance premium revenue</b>	<u>53,147,429</u>	<u>54,136,300</u>	<u>162,559,854</u>	<u>155,165,992</u>

**13. Basic earnings per share**

	(Unaudited) Three months period ended 30 September 2019	(Unaudited) Three months period ended 30 September 2018	(Unaudited) Nine months period ended 30 September 2019	(Unaudited) Nine months period ended 30 September 2018
Profit for the period (in AED)	3,526,404	7,042,534	24,784,270	33,581,241
Number of shares	1,100,000	1,000,000	1,100,000	1,000,000
Basic earnings per share (in AED)	<u>3.21</u>	<u>7.04</u>	<u>22.53</u>	<u>33.58</u>

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**14. Dividends**

The Shareholders' General Assembly held on 28 April 2019 approved the payment of cash dividends at 10% of share capital amounting to AED 10 million for the year 2019 (2018: the Shareholders' General Assembly resolved that dividends of AED 10 million would be paid for the year 2018).

**15. Cash and cash equivalents**

	<b>(Unaudited)</b> <b>Nine months</b> <b>period ended</b> <b>30 September</b> <b>2019</b> <b>AED</b>	<b>(Unaudited)</b> <b>Nine months</b> <b>period ended</b> <b>30 September</b> <b>2018</b> <b>AED</b>
Bank balances and cash	<b>161,071,935</b>	122,915,354
Fixed deposits under lien	<b>(2,000,000)</b>	(2,000,000)
Fixed deposits with original maturity over 3 months	<b>(105,158,579)</b>	(72,685,253)
	<b><u>53,913,356</u></b>	<u>48,230,101</u>

**16. Segment information**

The Company is organised into two main business segments:

Underwriting of general insurance business incorporating all classes of general insurance including fire, marine, motor, medical, general accident and miscellaneous. All underwriting activities are carried out in the UAE except for re-insurance which is done principally with companies outside U.A.E.

Investments incorporating investments in U.A.E. marketable equity securities, fixed deposits with banks and investment properties.

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**16. Segment information (continued)**

	For the nine months period ended 30 September 2019			For the nine months period ended 30 September 2018		
	Underwriting (Unaudited) AED	Investments (Unaudited) AED	Total (Unaudited) AED	Underwriting (Unaudited) AED	Investments (Unaudited) AED	Total (Unaudited) AED
Net insurance premium revenue	162,559,854	-	162,559,854	155,165,992	-	155,165,992
Net claims incurred	(92,846,469)	-	(92,846,469)	(84,984,634)	-	(84,984,634)
Net commission incurred	(7,266,832)	-	(7,266,832)	(7,011,336)	-	(7,011,336)
Income from investment and others	-	9,305,638	9,305,638	-	8,298,671	8,298,671
Segment result	24,872,216	9,305,638	34,177,854	32,860,060	8,298,671	41,158,731
Unallocated costs (net)	-	-	(9,393,584)	-	-	(7,577,490)
Profit for the period	-	-	24,784,270	-	-	33,581,241

**As of 30 September 2019**

	As of 30 September 2019		As of 31 December 2018	
	Underwriting (Unaudited) AED	Investments (Unaudited) AED	Total (Unaudited) AED	Total (Audited) AED
<b>Segment assets</b>	174,352,265	403,431,397	577,783,662	497,556,382
Unallocated assets	-	-	42,857,815	41,019,893
Total assets	-	-	620,641,477	538,576,275
<b>Segment liabilities</b>	325,378,005	-	325,378,005	277,821,106
Unallocated liabilities	-	-	16,079,688	15,068,307
Total liabilities	-	-	341,457,693	292,889,413

There are no transactions between the business segments.

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**17. Related party balances and transactions**

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

At the reporting date, amounts due from/to related parties included under insurance and other receivables and under insurance contract liabilities, respectively, were as follows:

	<b>(Unaudited)</b> <b>30 September</b> <b>2019</b> <b>AED</b>	<b>(Audited)</b> <b>31 December</b> <b>2018</b> <b>AED</b>
Due from policy holders	<b>2,688,921</b>	1,901,846
Gross outstanding claims	<b>52,000</b>	69,800

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received and no expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**Transactions:**

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

	<b>(Unaudited)</b> <b>Three months</b> <b>period ended</b> <b>30 September</b> <b>2019</b> <b>AED</b>	<b>(Unaudited)</b> <b>Three months</b> <b>period ended</b> <b>30 September</b> <b>2018</b> <b>AED</b>	<b>(Unaudited)</b> <b>Nine months</b> <b>period ended</b> <b>30 September</b> <b>2019</b> <b>AED</b>	<b>(Unaudited)</b> <b>Nine months</b> <b>period ended</b> <b>30 September</b> <b>2018</b> <b>AED</b>
Gross premium	<b>932,814</b>	702,465	<b>13,997,420</b>	5,986,740
Claims (recovered) /paid	<b>(1,277,701)</b>	718,996	<b>(862,882)</b>	1,169,956

Premiums are charged to related parties at rates agreed with the management.

**Compensations of key management staff and Board of Directors**

	<b>(Unaudited)</b> <b>Three months</b> <b>period ended</b> <b>30 September</b> <b>2019</b> <b>AED</b>	<b>(Unaudited)</b> <b>Three months</b> <b>period ended</b> <b>30 September</b> <b>2018</b> <b>AED</b>	<b>(Unaudited)</b> <b>Nine months</b> <b>period ended</b> <b>30 September</b> <b>2019</b> <b>AED</b>	<b>(Unaudited)</b> <b>Nine months</b> <b>period ended</b> <b>30 September</b> <b>2018</b> <b>AED</b>
Key management staff :				
Short-term benefits	<b>1,725,457</b>	1,763,058	<b>6,403,713</b>	6,516,638
Long-term benefits	<b>99,224</b>	90,944	<b>619,077</b>	768,740
Board of directors' meeting allowance	<b>337,500</b>	337,500	<b>1,012,500</b>	1,387,500
	<b>2,162,181</b>	2,191,502	<b>8,035,290</b>	8,672,878

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**18. Seasonality of results**

Income from investments and others includes dividend income of AED 5,738,072 for the nine months period ended 30 September 2019 (nine months period ended 30 September 2018: AED 5,923,957), which is of a seasonal nature.

**19. Commitments and contingent liabilities**

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Letters of guarantee	17,881,653	16,453,121
Capital commitments	<u>1,122,704</u>	<u>1,902,545</u>

**20. Fair value measurement**

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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

*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.

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

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

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**20. Fair value measurement (continued)**

*Fair value of the Company's financial assets that are measured at fair value on recurring basis*

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:

<b>Financial assets</b>	<b>Fair value as at 30 September 2019 (Unaudited) AED</b>	<b>Fair value as at 31 December 2018 (Audited) AED</b>	<b>Fair value hierarchy</b>	<b>Valuation techniques and key inputs</b>	<b>Significant unobservable input</b>	<b>Relationship of unobservable inputs to fair value</b>
Quoted equity investments – FVTOCI	<b>125,251,284</b>	112,877,681	Level 1	Quoted bid prices in an active market.	None.	NA.
Mutual funds	<b>4,691,993</b>	4,446,160	Level 3	Adjusted net assets valuation method after adjusting for certain components in financial information of underlying companies.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Unquoted equity investments – FVTOCI	<b>29,551,722</b>	30,162,553	Level 3	Adjusted net assets valuation method after adjusting for certain components in financial information of underlying companies.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Quoted equity investments – FVTPL	<b>14,467,840</b>	9,292,536	Level 1	Quoted bid prices in an active market.	None.	NA.



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**20. Fair value measurement (continued)**

Fair value measurements recognised in the condensed statement of financial position

The following table provides an analysis of financial assets and non-financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**30 September 2019 (Unaudited)**

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<b>Financial assets at FVTPL</b>				
Quoted equities	14,467,840	-	-	14,467,840
<b>Financial assets at FVTOCI</b>				
Quoted equities	125,251,284	-	-	125,251,284
Mutual funds	-	-	4,691,993	4,691,993
Unquoted equities	-	-	29,551,722	29,551,722
<b>Investment properties</b>	-	-	84,550,000	84,550,000
	<b>139,719,124</b>	<b>-</b>	<b>118,793,715</b>	<b>258,512,839</b>

**31 December 2018 (Audited)**

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<b>Financial assets at FVTPL</b>				
Quoted equities	9,292,536	-	-	9,292,536
<b>Financial assets at FVTOCI</b>				
Quoted equities	112,877,681	-	-	112,877,681
Mutual funds	-	-	4,446,160	4,446,160
Unquoted equities	-	-	30,162,553	30,162,553
<b>Investment properties</b>	-	-	84,550,000	84,550,000
	<b>122,170,217</b>	<b>-</b>	<b>119,158,713</b>	<b>241,328,930</b>

There was no transfer between the 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.

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**21. Disclosure of exposure to Abraaj Group**

As at the end of the period, the Company does not have any direct or indirect exposure to Abraaj Group.

**22. Approval of condensed financial statements**

The condensed financial statements were approved and authorised for issue on 14 November 2019.