

Sharjah Insurance Company P.S.C.

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

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (unaudited)

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**Review report of the independent auditor
To the Board of Directors of Sharjah Insurance Company P.S.C.**

Introduction

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We have reviewed the accompanying condensed interim statement of financial position of Sharjah Insurance Company P.S.C. (the "Company") as at 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.

Other matter

The condensed financial statement of the Company for the nine months period ended 30 September 2018 and the annual financial statements for the year ended 31 December 2018 were reviewed and audited by another auditor whose review report dated 13 November 2018 and audit report dated 7 March 2019 expressed an unmodified conclusion and unqualified opinion, respectively.

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
Farouk Mohamed
Registration No: 86
Sharjah, 13 November 2019



Sharjah 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) (Restated) 31 December 2018 AED
ASSETS			
Non-current assets			
Property and equipment	4	2,819,821	981,475
Intangible assets		305,090	413,308
Investment properties	5	54,698,150	54,698,150
Investments designated at fair value through other comprehensive income (FVTOCI)	6	100,197,742	108,947,596
Statutory deposit	7	5,000,000	5,000,000
Total non-current assets		163,020,803	170,040,529
Current assets			
Reinsurance contract assets	8	40,015,353	51,814,151
Insurance and other receivables	9	48,710,676	57,224,564
Investments carried at fair value through profit or loss (FVTPL)	6	14,452,422	12,016,325
Bank balances and cash	10	36,494,141	35,113,990
Total current assets		139,672,592	156,169,030
TOTAL ASSETS		302,693,395	326,209,559
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	137,500,000	137,500,000
Statutory reserve		46,336,398	46,336,398
Voluntary reserve		30,000,000	30,000,000
Cumulative changes in fair value of Investments designated at FVTOCI		(132,212,697)	(129,643,688)
Retained earnings		113,073,735	110,573,748
TOTAL EQUITY		194,697,436	194,766,458
Non-current liabilities			
Provision for employees' end of service benefit		1,733,539	1,695,242
Current liabilities			
Insurance contract liabilities	8	75,831,203	87,404,030
Insurance and other payables	12	30,431,217	36,868,430
Bank overdrafts	13	-	5,475,399
Total current liabilities		106,262,420	129,747,859
TOTAL LIABILITIES		107,995,959	131,443,101
TOTAL EQUITY AND LIABILITIES		302,693,395	326,209,559


Managing Director


General Manager

The accompanying notes from 1 to 24 form an integral part of these condensed interim financial statements.



Sharjah Insurance Company P.S.C.
Condensed interim financial statements (unaudited)

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

	Note	(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	14	12,699,434	13,932,302	36,733,955	38,048,199
Less: Insurance premium ceded to reinsurers	14	(5,762,704)	(5,973,586)	(15,645,408)	(16,100,169)
Net insurance premium	14	6,936,730	7,958,716	21,088,547	21,948,030
Gross claims incurred	15	(501,163)	(1,641,001)	(15,597,637)	(12,645,552)
Insurance claims recovered from re-insurers	15	(2,298,737)	(229,691)	5,076,210	2,722,917
Net claims incurred		(2,799,900)	(1,870,692)	(10,521,427)	(9,922,635)
Commission income		876,523	555,968	3,073,973	3,543,111
Less: Commission incurred		(310,975)	(293,015)	(1,031,800)	(1,113,172)
Other income relating to underwriting activities		6,869	87,486	100,116	2,630,947
Net commission and other income		572,417	350,439	2,142,289	5,060,886
Gross Underwriting profit		4,709,247	6,438,463	12,709,409	17,086,281
General and administrative expenses relating to underwriting activities		(2,763,167)	(2,850,537)	(8,948,299)	(8,798,525)
Net underwriting profit		1,946,080	3,587,926	3,761,110	8,287,756
Investment and other income		959,044	1,966,582	10,146,616	13,181,247
Expected credit losses		-	(1,450,137)	-	(2,094,340)
Finance costs		(1,580)	(44,811)	(15,746)	(222,646)
Unallocated general and administrative expenses		(484,977)	(637,686)	(2,875,945)	(3,331,280)
Reversal of impairment		1,083,660	-	1,611,973	-
Profit for the period		3,502,227	3,421,874	12,628,008	15,820,737
Basic and diluted earnings per share	16	0.03	0.02	0.09	0.12

The accompanying notes from 1 to 24 form an integral part of these condensed interim financial statements.

Sharjah 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	<u>3,502,227</u>	<u>3,421,874</u>	<u>12,628,008</u>	<u>15,820,737</u>
Other comprehensive loss				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net fair value loss on revaluation of investments designated at FVTOCI	2,293,754	1,202,241	(3,752,899)	(17,843,083)
Gain on sale of investments designated at FVTOCI	119,817	898	1,580,869	2,561,599
Other comprehensive loss for the period	<u>2,413,571</u>	<u>1,203,139</u>	<u>(2,172,030)</u>	<u>(15,281,484)</u>
Total comprehensive income for the period	<u>5,915,798</u>	<u>4,625,013</u>	<u>10,455,978</u>	<u>539,253</u>

The accompanying notes from 1 to 24 form an integral part of these condensed interim financial statements.

Sharjah 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	Voluntary reserve AED	Cumulative changes in fair value of investments designated at FVTOCI AED	Retained earnings AED	Total AED
Balance at 31 December 2017 (Audited)	137,500,000	44,699,404	30,000,000	(114,469,507)	123,471,492	221,201,389
Adjustment on adoption of IFRS 9	-	-	-	-	(13,565,201)	(13,565,201)
Restated balance at 1 January 2018	137,500,000	44,699,404	30,000,000	(114,469,507)	109,906,291	207,636,188
Profit for the period	-	-	-	-	15,820,737	15,820,737
Other comprehensive loss for the period	-	-	-	(17,843,083)	2,561,599	(15,281,484)
Total comprehensive income for the period	-	-	-	(17,843,083)	18,382,336	539,253
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	6,552,086	(6,552,086)	-
Directors' remuneration	-	-	-	-	(450,000)	(450,000)
Dividends	-	-	-	-	(9,625,000)	(9,625,000)
Balance at 30 September 2018 (unaudited)	137,500,000	44,699,404	30,000,000	(125,760,504)	111,661,541	198,100,441
Balance at 31 December 2018 (audited)	137,500,000	46,336,398	30,000,000	(129,643,688)	110,573,748	194,766,458
Profit for the period	-	-	-	-	12,628,008	12,628,008
Other comprehensive loss for the period	-	-	-	(3,752,899)	1,580,869	(2,172,030)
Total comprehensive income for the period	-	-	-	(3,752,899)	14,208,877	10,455,978
Transfer to retained earnings on disposal of investment at FVTOCI	-	-	-	1,183,890	(1,183,890)	-
Directors' remuneration	-	-	-	-	(900,000)	(900,000)
Dividends	-	-	-	-	(9,625,000)	(9,625,000)
Balance at 30 September 2019 (unaudited)	137,500,000	46,336,398	30,000,000	(132,212,697)	113,073,735	194,697,436

The accompanying notes from 1 to 24 form an integral part of these condensed interim financial statements.

Sharjah 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
Operating activities		
Profit for the period	12,628,008	15,820,737
Adjustments for:		
Provision for impairment	-	2,094,340
Reversal of impairment-net (note 9)	(1,611,973)	-
Loss on disposal of property and equipment	7,000	-
Depreciation of property and equipment (note 4)	338,463	303,709
Amortization of intangible assets	122,938	99,705
Provision for employee's end of service benefit	176,300	166,126
Investment income	(10,146,616)	(13,181,247)
Finance costs	15,746	222,646
Operating cash flow before change in working capital	1,529,866	5,526,016
Change in working capital:		
Reinsurance contract assets	11,798,798	(2,826,386)
Insurance contract liabilities	(11,572,827)	6,939,019
Insurance and other receivables	10,125,861	(29,026,079)
Insurance and other payables	(8,437,936)	5,271,484
Cash generated from/(used in) operating activities	3,443,762	(14,115,946)
Employees' end of service benefit paid	(138,003)	(8,117)
Finance costs paid	(15,746)	(222,646)
Net cash generated from/(used in) operating activities	3,290,013	(14,346,709)
Investing activities		
Purchase of property and equipment (note 4)	(251,086)	(135,040)
Purchase of intangible assets	(14,720)	-
Disposal of property and equipment	68,000	-
Purchase of investment designated at FVTOCI	(3,758,665)	(9,411,895)
Purchase of investments carried at FVTPL	(10,600,434)	-
Disposal of investments designated at FVTOCI	10,336,489	19,550,985
Disposal of investments carried at FVTPL	10,560,330	19,897,987
Increase in fixed deposit	(140,778)	(859,222)
Dividends received	5,353,334	7,011,290
Income from investment properties	1,620,033	2,230,661
Interest received	777,256	784,047
Other income from investment securities	-	2,643,337
Net cash generated from investing activities	13,949,759	41,712,150
Cash flows from financing activities		
Bank overdrafts (note 13)	(5,475,399)	(17,337,990)
Dividend paid (note 19)	(9,625,000)	(9,625,000)
Director's remuneration paid (note 18)	(900,000)	(450,000)
Net cash used in financing activities	(16,000,399)	(27,412,990)
Net change in cash and cash equivalents	1,239,373	(47,549)
Cash and cash equivalents at the beginning of the period	7,827,786	3,656,129
Cash and cash equivalents at the end of the period (note 17)	9,067,159	3,608,580
Non cash transactions:		
Right-of-use asset effecting property and equipment and insurance and other payables	2,000,723	-

The accompanying notes from 1 to 24 form an integral part of these condensed interim financial statements.

Sharjah 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

1 General information

Sharjah Insurance Company P.S.C – Sharjah (the “Company”) is incorporated as a public shareholding company by an Amiri Decree issued by His Highness, The Ruler of Sharjah on 8 March 1970. The Company is subject to the regulations of 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 No.12. The Company operates through its head office in Sharjah and has branches in Dubai and Ajman. The address of the Company’s registered office is P.O. Box 792, Sharjah, United Arab Emirates.

The principal activity of the Company is dealing in all types of insurance including life assurance. The Company mainly carries out general insurance business.

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

New and revised IFRS applied with no material effect on the condensed interim financial information

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these condensed financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

The Company adopted IFRS 16 'Leases' the standard replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 "Operating Leases - Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Company's financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The Company has assessed that the impact of IFRS16 is not material on retained earnings as at the reporting date and has presented Right-of-use assets within 'Property and equipment' and lease liabilities within 'Other liabilities' in the statement of financial position.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

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

New and revised IFRS not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments regarding the definition of material
- Amendments to clarify the definition of a business
- IFRS 17: Insurance Contracts
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

3 Summary of significant accounting policies

Basis of preparation

These interim condensed 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 Company is in the process of aligning the operations with the requirement of the regulations relating to investment operations and meeting solvency requirements.

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 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 financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2018 except for the accounting policy of IFRS 16.

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 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.

Judgements and estimates

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 accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited financial statements as at and for the year ended 31 December 2018.

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

3 Summary of significant accounting policies (continued)

Financial risk management

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

As required by the Securities and Commodities Authority ("SCA") circular No. 411/2018 dated 7 July 2018, the Company does not have any investments or exposures with Abraj Group.

The accounting policies in respect of investment properties, investment in securities and property and equipment are disclosed in these condensed financial statements as required by SCA notification dated 12 October 2008.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. 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 values of investment properties are included in the statement of comprehensive income 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 statement of comprehensive income/loss in the period of retirement or disposal. Fair value is determined by an external independent valuator.

Property and equipment

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

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

The useful lives considered in the calculation of depreciation for all the assets are 4 - 5 years.

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

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

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 statement of comprehensive income. Fair value is determined in the manner described in note 22.

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

3 Summary of significant accounting policies (continued)

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

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.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IFRS 15 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets designated 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 fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading.

Investments in equity instruments at fair value through other comprehensive income 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 in equity. When the FVTOCI-equity instruments are disposed of, the cumulative gain or loss previously accumulated in the cumulative changes in fair value in equity is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IFRS 15 Revenue.

Intangible assets

Intangible assets are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 4 years.

4 Property and equipment

- Property and equipment additions during the current period amounted to AED 251,086 (Nine months period ended 30 September 2018: AED 135,040).
- Disposal of property and equipment during the current period amounted to AED 68,000 (Nine months period ended 30 September 2018: Nil)
- Depreciation charges for the current period amounted to AED 338,463 (Nine months period ended 30 September 2018: AED 303,709).
- Right-to-use asset amounting to AED 2,000,723 as an impact of applying IFRS 16.
- All property and equipment are located in UAE.

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

5 Investment properties

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Fair value at the beginning of the period / year	54,698,150	55,984,500
Decrease in fair value during the period / year	-	(1,286,350)
	<u>54,698,150</u>	<u>54,698,150</u>

Investment properties include properties mortgaged to the Insurance Authority of U.A.E. amounting to AED 24.4 million (31 December 2018: AED 24.4 million) in accordance with the requirements of U.A.E Federal Law No. 6 of 2007, on Establishment of Insurance Authority and organization of its operations (note 7) and certain investment properties amounting to AED 21.7 million (31 December 2018: AED 21.7 million) mortgaged to a bank against credit facility granted to the company (note 13).

Management estimates that there has been no change in the fair value of investment properties during the nine months period ended 30 September 2019.

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 September 2019 (31 December 2018: Level 3) and are located in U.A.E.

6 Investments in equity securities

6.1 Investment designated at fair value through other comprehensive income (FVTOCI)

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Quoted – at fair value	94,539,624	100,639,949
Unquoted – at fair value	5,658,118	8,307,647
	<u>100,197,742</u>	<u>108,947,596</u>
In U.A.E	70,223,660	76,277,102
In other GCC countries	29,974,082	32,670,494
	<u>100,197,742</u>	<u>108,947,596</u>

Financial assets at FVTOCI with fair value AED 10.3 million (31 December 2018: AED 9.4 million) are pledged to the bank against credit facility granted to the company (note 13).

6.2 Investment carried at fair value through profit or loss (FVTPL)

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Quoted – IN U.A.E	10,670,835	12,016,325
Quoted – In other GCC countries	3,781,587	-
	<u>14,452,422</u>	<u>12,016,325</u>

7 Statutory deposit

In accordance with the requirements of Federal Law No. 6 of 2007, on Establishment of Insurance Authority of U.A.E. and Organizations of its operations, the Company maintains a bank deposit of AED 5,000,000 (31 December 2018: AED 5,000,000) as a statutory deposit. In addition to the aforementioned fixed deposit there are investment properties with a fair value amounting to AED 24.4 million (31 December 2018: AED 24.4 million) pledged to Insurance Authority.

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

8 Insurance contract liabilities and reinsurance contract assets	(Unaudited) 30 September 2019 AED	(Audited) (Restated) 31 December 2018 AED
Gross		
Insurance contract liabilities:		
Claims reported unsettled	36,434,191	55,141,402
Unallocated loss adjustment exposure reserve	1,417,314	1,217,372
Unexpired risk reserve	1,216,211	821,355
Claims incurred but not reported	13,948,609	9,887,386
Unearned premium	22,814,878	20,336,515
Total insurance contract liabilities, gross	75,831,203	87,404,030
Recoverable from reinsurers		
Reinsurance contract assets:		
Claims reported unsettled	25,321,405	42,188,475
Unexpired risk reserve	(36,785)	(28,359)
Claims incurred but not reported	4,552,577	390,162
Unearned premium	10,178,156	9,263,873
Total reinsurers' share of insurance liabilities	40,015,353	51,814,151
Net		
Claims reported unsettled	11,112,786	12,952,927
Unallocated loss adjustment exposure reserve	1,417,314	1,217,372
Unexpired risk reserve	1,252,996	849,714
Claims incurred but not reported	9,396,032	9,497,224
Unearned premium	12,636,722	11,072,642
	35,815,850	35,589,879
9 Insurance and other receivables		
	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Receivables arising from insurance and Reinsurance contracts		
Due from policyholders	29,690,567	32,466,946
Due from local insurance companies	35,993,498	39,295,190
Due from foreign insurance companies	14,869,898	17,974,272
Due from brokers	549,629	558,535
	81,103,592	90,294,943
Other receivables		
Prepayments and others	1,994,506	2,929,016
	83,098,098	93,223,959
Less: Expected credit losses	(34,387,422)	(35,999,395)
	48,710,676	57,224,564
Movement on the expected credit losses:		
Balance at the beginning of the period/year	35,999,395	20,237,969
Initial application of IFRS 9 for 1 January 2018	-	13,498,740
Balance at beginning of the period/year after adjustment	35,999,395	33,736,709
Impairment loss made during the period/year	-	2,262,686
Reversal of impairment during the period/year	(1,611,973)	-
Balance at the end of the period/year	34,387,422	35,999,395

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

10 Bank balances and cash

	(Unaudited) 30 September 2019	(Audited) 31 December 2018
	AED	AED
Fixed deposits	27,500,000	27,359,222
Cash on hand	81,056	80,952
Portfolio accounts	612,330	612,308
Current and call accounts	8,518,679	7,279,432
	<u>36,712,065</u>	<u>35,331,914</u>
Less: Expected credit losses	(217,924)	(217,924)
	<u>36,494,141</u>	<u>35,113,990</u>
Banks in U.A.E	31,410,137	28,469,891
Banks in other G.C.C countries	5,084,004	6,644,099
	<u>36,494,141</u>	<u>35,113,990</u>
	(Unaudited) 30 September 2019	(Audited) 31 December 2018
	AED	AED
<i>Details of expected credit losses is mentioned below:</i>		
At beginning of the period/year	217,924	-
Provided during the period/year	-	217,924
	<u>217,924</u>	<u>217,924</u>

Fixed deposits amounting to AED 2,500,000 (31 December 2018: AED 2,500,000) are under lien against facilities granted to the Company (note 13).

11 Share capital

	(Unaudited) 30 September 2019	(Audited) 31 December 2018
	AED	AED
Issued and fully paid 137.5 million ordinary shares of AED 1 par value each	<u>137,500,000</u>	<u>137,500,000</u>

12 Insurance and other payables

	(Unaudited) 30 September 2019	(Audited) 31 December 2018
	AED	AED
Payables arising from insurance and reinsurance contracts:		
Trade payables	9,682,425	10,931,960
Due to local insurance companies	2,940,155	3,812,784
Due to foreign insurance companies	7,959,734	14,175,946
Due to brokers	75,785	68,031
Premium reserve withheld	4,168,444	3,912,259
	<u>24,826,543</u>	<u>32,900,980</u>
Accrued expenses provisions	1,221,958	1,585,861
Unclaimed dividend	2,381,589	2,381,589
Other payables	2,001,127	-
	<u>30,431,217</u>	<u>36,868,430</u>

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

13 Bank overdrafts

The bank overdraft facilities are secured by lien over fixed deposit of AED 2.5 million (31 December 2018: 2.5 million), pledge over investments designated at FVTOCI having a fair value of AED 10.3 million (31 December 2018: AED 9.4 million) and mortgage over certain investment properties amounting to AED 21.7 million (31 December 2018: 21.7 million).

The bank overdraft facilities are subject to certain covenants including the maintenance of leverage ratio and minimum net worth which are met at the end of the reporting period. Bank overdrafts are utilized for Company's operational activities and the net movement during the period amounted to AED 5,475,399 (decrease).

14 Insurance premium

	(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				
Gross premium written	6,041,566	7,258,397	39,607,174	46,641,755
Change in unearned premium	6,657,868	6,673,905	(2,873,219)	(8,593,556)
	12,699,434	13,932,302	36,733,955	38,048,199
Insurance premium ceded to reinsurers				
Reinsurance premium ceded	(3,074,072)	(3,396,052)	(16,551,265)	(21,360,456)
Change in unearned premium	(2,688,632)	(2,577,534)	905,857	5,260,287
	(5,762,704)	(5,973,586)	(15,645,408)	(16,100,169)
Net insurance premium revenue	6,936,730	7,958,716	21,088,547	21,948,030

15 Insurance claims

During the period, the Company recovered an amount of AED 2,543,702 from another insurance company which is adjusted against the "Gross claims incurred" during the period. This represents a claim paid in year 2011 while related reinsurance share was collected in the same year. The Company also paid reinsurance share of AED 2,436,867 to the reinsurance company during this period as their share of recovered amount. The amount paid has been adjusted against "Insurance claims recovered from re-insurers" during the period which resulted in a negative balance of AED 2,298,737 for the three months period ended September 30, 2019.

16 Basic and diluted earnings per share

	(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	3,502,227	3,421,874	12,628,008	15,820,737
Number of shares	137,500,000	137,500,000	137,500,000	137,500,000
Basic and diluted earnings per share	0.03	0.02	0.09	0.12

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

16 Basic and diluted earnings per share (continued)

Basic earnings per share has been calculated by dividing the profit for the period by the number of shares outstanding at the end of the reporting period. Diluted earnings per share as of 30 September 2019 and 30 September 2018 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

17 Cash and cash equivalents

	(Unaudited) 30 September 2019 AED	(Unaudited) 30 September 2018 AED
Bank balances and cash	36,494,141	30,898,751
Fixed deposits under lien	(2,500,000)	(2,500,000)
Fixed deposits with maturity of more than 3 months	(24,926,982)	(24,790,171)
	<u>9,067,159</u>	<u>3,608,580</u>

18 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 and other payables and insurance contract liabilities, respectively as presented below:

Related party balances

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Due from policyholders	1,057,211	1,590,427
Due to policyholders	47,602	277,781
Outstanding claims	41,910	640,150
Overdraft with a bank	-	5,476,887

Related party transactions

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

	(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
Gross premium written	210,394	232,490	1,497,444	1,544,426
Claims paid	99,116	173,415	345,402	254,185
Rent expenses	186,250	186,250	558,750	558,750

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

18 Related party balances and transactions (continued)

Key management compensation

	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Three months period ended 30 September 2019 AED	Three months period ended 30 September 2018 AED	Nine months period ended 30 September 2019 AED	Nine months period ended 30 September 2018 AED
Key management staff:				
Director's fees	-	-	600,000	600,000
Directors' remuneration	-	-	900,000	450,000
Short-term benefits	165,000	165,000	495,000	495,000
Long-term benefits	1,250	3,500	11,250	10,500

19 Dividends

During the period, the Board of Directors proposed cash dividend of 7% for the year ended 31 December 2018 representing AED 7 fils per share amounting to AED 9.625 million. The dividend was approved at the Annual General Meeting held on 22 April 2019. The Shareholders also approved a Board of Directors' remuneration of AED 0.9 million.

During the comparative period, the Board of Directors proposed cash dividend of 7% for the year ended 31 December 2017 representing AED 7 fils per share amounting to AED 9.625 million. The dividend was approved at the Annual General Meeting held on 27 March 2018 and subsequently paid on 9 April 2018. The Shareholders also approved a Board of Directors' remuneration of AED 0.45 million.

20 Seasonality of results

Income from investments and others includes dividend income of AED 5,353,334 for the nine months period ended 30 September 2019 (Nine months period ended 30 September 2018: AED 7,011,290), which is of a seasonal nature.

**Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)**

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

21 Segment information

For the nine months period ended 30 September 2019

	Underwriting					Total AED	Investments AED	Total AED
	Accident and liabilities AED	Fire AED	Marine AED	Others AED	Total AED			
Segment revenue – gross	29,880,717	5,409,212	1,029,018	415,008	36,733,955	-	36,733,955	
Segment result – net	2,663,542	1,017,495	32,669	47,404	3,761,110	10,146,616	13,907,726	
Unallocated costs							(1,279,718)	
Profit for the period							12,628,008	
As at 30 September 2019								
(unaudited)								
Segment assets					93,726,029	196,775,296	290,501,325	
Unallocated assets							12,192,070	
Total assets							302,693,395	
Segment liabilities					103,880,831	-	103,880,831	
Unallocated liabilities							4,115,128	
Total liabilities							107,995,959	

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

21 Segment information (continued)

For the nine months period ended 30 September 2018

	Underwriting					Total AED
	Accident and liabilities AED	Fire AED	Marine AED	Others AED	Investments AED	
	29,108,209	6,818,199	1,063,423	1,058,368	-	
Segment revenue – gross						38,048,199
Segment result – net	4,531,168	3,084,705	406,625	265,258	13,181,247	21,469,003
Unallocated costs						(5,648,266)
Profit for the period						15,820,737
As at 31 December 2018 (audited)						
Segment assets					202,948,275	316,986,990
Unallocated assets						9,222,569
Total assets						326,209,559
Segment liabilities					-	127,366,270
Unallocated liabilities						4,076,831
Total liabilities						131,443,101

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

22 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.

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:

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED				
<i>Investment designated at FVTOCI</i>						
Quoted equity securities	94,539,624	100,639,949	Level 1	Quoted bid prices in an active market.	None.	NA.
Unquoted equity securities	5,658,118	8,307,647	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
<i>Investment carried at FVTPL</i>						
Quoted equity securities	14,452,422	12,016,325	Level 1	Quoted bid prices in an active market.	None.	NA.
	114,650,164	120,963,921				

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

22 Fair value measurement (continued)

Fair value measurements recognised in the condensed interim 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
Financial assets designated at FVTOCI				
Quoted equity securities	94,539,624	-	-	94,539,624
Unquoted equity securities	-	-	5,658,118	5,658,118
Financial assets carried at FVTPL				
Quoted equity securities	14,452,422	-	-	14,452,422
Investment properties	-	-	54,698,150	54,698,150
	108,992,046	-	60,356,268	169,348,314

31 December 2018 (Audited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets designated at FVTOCI				
Quoted equity securities	100,639,949	-	-	100,639,949
Unquoted equity securities	-	-	8,307,647	8,307,647
Financial assets carried at FVTPL				
Quoted equity securities	12,016,325	-	-	12,016,325
Investment properties	-	-	54,698,150	54,698,150
	112,656,274	-	63,005,797	175,662,071

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.

Sharjah Insurance Company P.S.C.
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2019

23 Restatements

The table below shows the restatements for the line items affected in the condensed interim financial position.

	As previously reported AED	Restated AED	As currently reported AED
At 31 December 2018			
Statement of financial position			
Reinsurance contract assets	58,056,134	(6,241,983)	51,814,151
Insurance contract liabilities	93,646,013	(6,241,983)	87,404,030

24 Approval of condensed financial statements

The condensed interim financial statements were approved by the Board of Directors and authorized for issue on 13 November 2019.