

**Al-Sagr National Insurance Company
(Public Shareholding Company)
and its subsidiary**

**Condensed consolidated interim financial
information**

for the six-month period ended 30 June 2016

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Condensed consolidated interim financial information
for the six-month period ended 30 June 2016

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

The Shareholders

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Introduction

We have reviewed the accompanying 30 June 2016 condensed consolidated interim financial information of Al-Sagr National Insurance Company ("the Company") and its subsidiary (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2016;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2016;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2016;
- the condensed interim statement of changes in shareholder's equity for the six-month period ended 30 June 2016;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2016; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 condensed consolidated 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



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Scope of Review (continued)

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 30 June 2016 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited
Munther Dajani
Registration Auditor No. 268
Dubai, United Arab Emirates

11 AUG 2016

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Condensed consolidated interim statement of financial position

as at 30 June 2016

	Note	30 June 2016 AED (Unaudited)	31 December 2015 AED (Audited)
ASSETS			
Property and equipment		8,571,542	9,133,879
Investment properties	6	172,856,118	172,856,118
Investments	7	67,065,275	214,379,787
Investment in associates	8	176,654,155	166,341
Reinsurance contract assets	11	214,969,737	238,228,389
Insurance and other receivables		270,476,330	232,036,207
Due from related parties	16	103,902,932	98,411,277
Cash and bank balances	12	277,179,932	297,824,545
TOTAL ASSETS		1,291,676,021	1,263,036,543
EQUITY AND LIABILITIES			
Equity			
Share capital	13	230,000,000	230,000,000
Statutory reserve		63,115,259	63,115,259
General reserve		200,000,000	200,000,000
Investments revaluation reserve		(1,361,523)	(1,361,523)
Accumulated loss		(30,539,212)	(65,301,132)
Equity attributable to shareholders of the Company		461,214,524	426,452,604
Non-controlling interests		304,013	650,230
Total equity		461,518,537	427,102,834
Liabilities			
Due to related parties	16	472,174	519,307
Provision for employees' end of service indemnity		13,773,793	13,367,614
Insurance contract liabilities	11	483,053,917	491,212,881
Bank borrowings		152,836,833	164,370,379
Insurance and other payables		180,020,767	166,463,528
Total liabilities		830,157,484	835,933,709
Total equity and liabilities		1,291,676,021	1,263,036,543

The notes on pages 9 to 20 form an integral part of these condensed consolidated interim financial information.

These condensed consolidated financial information were approved and authorised for issue by the Board of Directors on 11-08-2016 and signed on their behalf by:



Director and CEO

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 - 2.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Condensed consolidated interim statement of profit or loss

for the six-month period ended 30 June 2016

	Three-month period ended 30 June 2016	Three-month period ended 30 June 2015	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015
<i>Note</i>	AED	AED	AED	AED
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
		(Restated)		(Restated)
UNDERWRITING RESULTS				
Underwriting income				
Gross insurance premium	103,732,011	112,921,210	233,722,010	223,979,777
Less: insurance premium ceded to reinsurers	(40,452,552)	(33,509,262)	(97,936,788)	(79,192,235)
Net retained premium	63,279,459	79,411,948	135,785,222	144,787,542
Net change in unearned premium reserve	(3,316,344)	(3,905,655)	(6,924,113)	(8,780,501)
Net insurance premium	59,963,115	75,506,293	128,861,109	136,007,041
Gross claims incurred	(60,037,270)	(91,098,358)	(188,336,091)	(168,497,858)
Insurance claims recovered from reinsurers	20,824,931	15,468,280	78,779,609	33,091,340
Net claims paid	(39,212,339)	(75,630,078)	(109,556,482)	(135,406,518)
Net change in outstanding claims	(12,421,731)	(12,511,925)	(8,175,575)	3,722,322
Net claims incurred	(51,634,070)	(88,142,003)	(117,732,057)	(131,684,196)
Net commission income	17 12,155,543	16,402,783	24,456,102	31,800,550
Underwriting profit	20,484,588	3,767,073	35,585,154	36,123,395
Net investments loss	(843,507)	(20,301,676)	(2,424,219)	(20,541,699)
Share of profits from equity accounted investees	10,703,922	-	23,837,439	-
General and administrative expenses	(13,604,066)	(12,209,081)	(22,582,671)	(20,102,668)
Profit / (loss) for the period	16,740,937	(28,743,684)	34,415,703	(4,520,972)
Attributable to:				
Shareholders of the Company	16,975,989	(28,495,233)	34,761,920	(4,272,521)
Non-controlling interest	(235,052)	(248,451)	(346,217)	(248,451)
	16,740,937	(28,743,684)	34,415,703	(4,520,972)
Earning / (loss) per share	14 0.07	(0.12)	0.15	(0.02)

The notes on pages 9 to 20 form an integral part of these condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 - 2.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Condensed consolidated interim statement of profit or loss and other comprehensive income
for the six-month period ended 30 June 2016

	Three-month period ended 30 June 2016 AED (Un-audited)	Three-month period ended 30 June 2015 AED (Un-audited) (Restated)	Six-month period ended 30 June 2016 AED (Un-audited)	Six-month period ended 30 June 2015 AED (Un-audited) (Restated)
Profit / (loss) for the period	16,740,937	(28,743,684)	34,415,703	(4,520,972)
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss :</i>				
Net change in investment in financial assets at fair value through other comprehensive income	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	16,740,937	(28,743,684)	34,415,703	(4,520,972)
Attributable to:				
Shareholders of the Company	16,975,989	(28,495,233)	34,761,920	(4,272,521)
Non-controlling interest	(235,052)	(248,451)	(346,217)	(248,451)
	16,740,937	(28,743,684)	34,415,703	(4,520,972)

The notes on pages 9 to 20 form an integral part of these condensed consolidated interim financial information.

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Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Condensed consolidated interim statement of changes in equity (Un-audited)

for the six-month period ended 30 June 2016

	Attributable to the equity holders of the Company						Non-controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Investment revaluation reserve	Retained earnings	Total		
	AED	AED	AED	AED	AED	AED	AED	AED
Balance at 1 January 2015 (As previously reported)	230,000,000	63,115,259	200,000,000	(1,361,523)	169,794,298	661,548,034	1,107,110	662,655,144
Effect of changes in accounting policies	-	-	-	-	(106,919,144)	(106,919,144)	-	(106,919,144)
Balance at 1 January 2015 (Audited)	230,000,000	63,115,259	200,000,000	(1,361,523)	62,875,154	554,628,890	1,107,110	555,736,000
Total comprehensive loss for the period								
Loss for the period (Restated)	-	-	-	-	(4,272,521)	(4,272,521)	(248,451)	(4,520,972)
Other comprehensive income								
Movement in net change in investment in financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period (Restated)	-	-	-	-	(4,272,521)	(4,272,521)	(248,451)	(4,520,972)
Balance at 30 June 2015 (Unaudited) (Restated)	230,000,000	63,115,259	200,000,000	(1,361,523)	58,602,633	550,356,369	858,659	551,215,028

The notes on pages 9 to 20 form an integral part of these condensed consolidated interim financial information.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Condensed consolidated interim statement of changes in equity (Un-audited)

for the six-month period ended 30 June 2016

	Attributable to the equity holders of the Company					Total AED	Non- controlling interest AED	Total equity AED
	Share capital AED	Statutory reserve AED	General reserve AED	Investment revaluation reserve AED	Accumulated loss AED			
Balance at 1 January 2016 (Audited)	230,000,000	63,115,259	200,000,000	(1,361,523)	(65,301,132)	426,452,604	650,230	427,102,834
Total comprehensive income for the period								
Profit for the period	-	-	-	-	34,761,920	34,761,920	(346,217)	34,415,703
Other comprehensive income								
Movement in net change in investment in financial asset at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	34,761,920	34,761,920	(346,217)	34,415,703
Balance at 30 June 2016 (Unaudited)	230,000,000	63,115,259	200,000,000	(1,361,523)	(30,539,212)	461,214,524	304,013	461,518,537

The notes on pages 9 to 20 form an integral part of these condensed consolidated interim financial information.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Condensed consolidated interim statement of cash flows
for the six-month period ended 30 June 2016

	Six-month period ended 30 June 2016 AED (Un-audited)	Six-month period ended 30 June 2015 AED (Un-audited) (Restated)
Cash flows from operating activities		
Profit / (loss) for the period	34,415,703	(4,520,972)
<i>Adjustment for:</i>		
Depreciation	996,530	983,636
Net unrealised loss from investments	364,514	21,711,714
Interest income	(3,728,776)	(4,854,824)
Dividend income	(1,702,790)	(4,109,929)
Share of profit from equity accounted investees	(23,837,439)	-
Provision for employees' end of service indemnity	464,606	407,512
Finance costs	2,725,584	4,647,091
Operating cash flows before movements in working capital	9,697,932	14,264,228
Decrease / (increase) in reinsurance contract assets	23,258,652	(42,982,147)
Increase in insurance and other receivables	(38,440,123)	(23,914,525)
Increase in due from related parties	(5,491,655)	(6,281,773)
(Decrease) / increase in insurance contract liabilities	(8,158,964)	47,783,391
Increase in insurance and other payables	13,557,239	14,575,880
Decrease in due to related parties	(47,133)	(15,216)
Net cash (used in) / generated from operations	(5,624,052)	3,429,838
Interest paid	(2,725,584)	(4,647,091)
Employees' end of service indemnity paid	(58,427)	(535,000)
Net cash used in operating activities	(8,408,063)	(1,752,253)
Cash flows from investing activities		
Net proceeds used in acquiring investments	(5,700,377)	-
Net proceeds from sale of securities	-	11,787,232
Purchase of property and equipment	(434,193)	(497,266)
Purchase of investment properties	-	(46,980)
Dividends received	1,702,790	4,109,929
Interest received	3,728,776	4,854,824
Net cash (used in) / generated from investing activities	(703,004)	20,207,739
Cash flows from financing activities		
Dividend paid	-	(23,000,000)
Payment of directors' fees	-	(600,000)
Net cash used in financing activities	-	(23,600,000)
Net decrease in cash and cash equivalents	(9,111,067)	(5,144,514)
Cash and cash equivalents at 1 January	133,454,166	99,156,494
Cash and cash equivalents at 30 June (note 12)	124,343,099	94,011,980

The notes on pages 9 to 20 form an integral part of these condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 - 2.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes

(forming part of the condensed consolidated interim financial information)

1 Legal status and activities

Al-Sagr National Insurance Company (Public Share holding Company), Dubai (the "Company") was incorporated on 25 December 1979 as a public shareholding company by an Emiri Decree from His Highness, The Ruler of Dubai, and is registered with the Ministry of Economy of the United Arab Emirates under registration No. (16). The Company's address in Dubai is P.O. Box 14614, Dubai, U.A.E. The Company is a subsidiary of Gulf General Investments Company (the "Parent Company"), a public company incorporated in U.A. E.

The principal activity of the Company is the writing of insurance of all types. The Company operates through its Head Office in Dubai and its branches in Dubai, Sharjah, Abu Dhabi, Al Ain, Ras Al Khaima and Ajman in the U.A.E.

The condensed consolidated interim financial information incorporate the condensed interim financial information of the Company and its subsidiary (collectively referred to as "the Group"). Details of the subsidiary are as follows:

Name of subsidiary	Activity	Group's Ownership		Country of incorporation
		30 June 2016	31 December 2015	
Jordan Emirates Insurance Company PSC	Underwriting of insurance of all types	92.83%	92.83%	Jordan

2 Basis of preparation

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

On 1 April 2015, a new UAE Federal Law No. 2 of 2015 for Commercial Companies ("UAE Companies Law of 2015") was issued with an effective date of 1 July 2015. In June 2016, the UAE Cabinet passed a resolution to extend the deadline for existing companies in the UAE to ensure compliance with the new UAE Companies Law from 30 June 2016 to 30 June 2017. The Company is in the process of adopting the new federal law and will be fully compliant before the transitional provisions deadline.

Further, under Federal Law No 6 of 2007, relating to Establishment of Insurance Authority and Regulation of Insurance Operations, a new financial regulation for insurance companies was issued on 28 January 2015. The financial regulation provided an alignment period to Insurance companies between one to three years from the publication of financial regulation in Public Gazette from 29 January 2015 to align the operations to the covenants of the regulations therein. The Company is in the process of aligning the operations with the requirement of the regulations and will be fully aligned before the deadline for alignment period.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (*continued*)

2 Basis of preparation (continued)

b) Basis of measurement

These condensed consolidated interim financial information have been prepared on the historical cost basis except for the following which are measured at fair value.

- i) Financial instruments at fair value through profit and loss ("FVTPL");
- ii) Financial instruments at fair value through other comprehensive income ("FVTOCI"); and
- iii) Investment properties.

c) Functional and presentation currency

These condensed consolidated interim financial information are presented in UAE Dirham (AED), which is the functional currency. Except as otherwise indicated, financial information are presented in AED.

d) Use of estimates and judgements

The preparation of these condensed consolidated interim financial information in conformity with IFRS requires management to make judgments, 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.

Estimates and underlying assumptions are reviewed on a ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods effected.

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited financial statements as at and for the year ended 31 December 2015.

3 Summary of significant accounting policies

The accounting policies applied by the Group in preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2015 except for the adoption of new IFRSs which became effective as of 1 January 2016.

The adoption of the new and amended standards and interpretations have been reflected in these condensed consolidated interim financial statements as appropriate in terms of disclosures but do not have an impact on the financial position or performance of the Group during the period.

4 Financial risk management

Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2015.

5 Interim measurement

The nature of the Group's business is such that income and expense are incurred in a manner, which is not materially impacted by any form of seasonality. These condensed consolidated interim financial information were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the period. However, the results may not represent a proportionate share of the annual profits due to variability in contributions and investment income and uncertainty of claims occurrences.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

6 Investment properties

	(Un-audited)	(Audited)
	30 June 2016	31 December 2015
	AED	AED
At the beginning of the period / year	172,856,118	172,809,138
Additions during the period / year	-	46,980
	<u>172,856,118</u>	<u>172,856,118</u>

As at 30 June 2016, the Group has four investment properties out of which one property is Meydan Tower (property is under development but construction has not started), located in Dubai and is controlled by GGICO Real Estate Development Co. L.L.C. in which the Group has 10% ownership. The carrying value of the property is AED 80 million (10% share of AED 800 million) as at 30 June 2016 (31 December 2015: AED 80 million). Another property located in Al Barsha First, Dubai has a carrying value of AED 90 million (31 December 2015: AED 90 million). The other two properties are located in Jordan. The Group assessed fair value of the investment properties during 2015 externally. As at 30 June 2016, the fair value of investment properties portfolio is not significantly different as per Group's internal assessment.

7 Investments

	(Un-audited)	(Audited)
	30 June 2016	31 December 2015
	AED	AED
Investment in financial assets at fair value through profit or loss ("FVTPL") (note 7.1)	64,527,128	211,841,640
Investment in financial asset at fair value through other comprehensive income ("FVTOCI")	2,538,147	2,538,147
Total	<u>67,065,275</u>	<u>214,379,787</u>

- 7.1 The revaluation of investment securities resulted in net unrealised loss of AED 0.36 million (net) for the six-month period ended 30 June 2016 (*six-month period ended 30 June 2015: AED 21.7 million*). During the current period, Group has received dividend income of AED 1.7 million (*six-month period ended 30 June 2015: AED 4.11 million*) on its investments in securities.

8 Investment in associates

	(Un-audited)	(Audited)
	30 June 2016	31 December 2015
	AED	AED
Green Air Technology L.L.C., United Arab Emirates (note 8.1)	16,716	16,341
Sogour Al Khaleej General Trading L.L.C., United Arab Emirates (Note 8.1)	150,000	150,000
Al Sagr Cooperative Insurance Company (note 8.2)	176,487,439	-
	<u>176,654,155</u>	<u>166,341</u>

- 8.1 The Group holds 50% ownership in Green Air Technology L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates. The remaining 50% ownership is owned equally by the Parent Company and the CEO of the Company.

The Group holds 50% ownership in Sogour Al Khaleej General Trading L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates. The main activity of the Company is general trading. The remaining 50% ownership is owned by the Parent Company.

Although, the Group holds 50% equity in 2 associates, these are controlled by the Parent Company. The Group's voting rights in these entities do not give it control over these entities.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

8 Investment in associates (continued)

8.2 As at 31 December 2015, the Group held 19% shares of Al Sagr Cooperative Insurance Company ("Al Sagr Cooperative"). The Group has reacquired 1% of the shares which it had previously sold. This resulted in an increase in the Group's holding percentage to 20%, thereby giving the Group significant influence over Al Sagr Cooperative. Accordingly, the Group has now reclassified its investment in Al Sagr Cooperative to an investment in associate.

The following summarises the financial information of the Associate and reconciles the summarised financial information to the carrying amount of the Group's interest in the Associate.

	(Un-audited) 30 June 2016 AED	(Audited) 31 December 2015 AED
Initial cost of investment	152,650,000	-
Group share of net profits for the period	23,837,439	-
Investment in associate	176,487,439	-
Percentage of interest		20% (Un-audited) 30 June 2016 AED
Assets		1,293,535,493
Liabilities		(776,911,543)
Net assets		516,623,950
Group's share in net assets at 20%		103,324,790
Revenue for the period		129,511,884
Profit for the period		119,187,198
Group's share of profit for the period at 20%		23,837,439

The Group is in the process of evaluating the fair value of the identifiable net assets acquired as part of the acquisition. This will be completed within 12 months of the acquisition date, in accordance with the guidelines in IFRS 3 - Business combinations.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

9 Classes and categories of financial assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities along with their fair values. For financial assets and liabilities carried at amortised cost, management believes that the amortised cost of those instruments approximates to their fair values.

At 30 June 2016 (Un-audited)

<u>Financial assets</u>	<u>FVTPL</u>	<u>FVTOCI</u>	<u>Amortised cost</u>	<u>Total</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
Investments	64,527,128	2,538,147	-	67,065,275
Reinsurance contract assets	-	-	140,933,360	140,933,360
Insurance and other receivables	-	-	269,768,424	269,768,424
Due from related parties	-	-	103,902,932	103,902,932
Cash and bank balances	-	-	277,179,932	277,179,932
	64,527,128	2,538,147	791,784,648	858,849,923

<u>Financial liabilities</u>	<u>FVTPL</u>	<u>FVTOCI</u>	<u>Amortised cost</u>	<u>Total</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
Due to related parties	-	-	472,174	472,174
Insurance contract liabilities	-	-	264,474,546	264,474,546
Bank borrowings	-	-	152,836,833	152,836,833
Insurance and other payables	-	-	180,020,767	180,020,767
	-	-	597,804,320	597,804,320

At 31 December 2015 (Audited)

<u>Financial assets</u>	<u>FVTPL</u>	<u>FVTOCI</u>	<u>Amortised cost</u>	<u>Total</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
Investments	211,841,640	2,538,147	-	214,379,787
Reinsurance contract assets	-	-	194,318,473	194,318,473
Insurance and other receivables	-	-	231,304,296	231,304,296
Due from related parties	-	-	98,411,277	98,411,277
Cash and bank balances	-	-	297,824,545	297,824,545
	211,841,640	2,538,147	821,858,591	1,036,238,378

<u>Financial liabilities</u>	<u>FVTPL</u>	<u>FVTOCI</u>	<u>Amortised cost</u>	<u>Total</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
Due to related parties	-	-	519,307	519,307
Insurance contract liabilities	-	-	309,684,084	309,684,084
Bank borrowings	-	-	164,370,379	164,370,379
Insurance and other payables	-	-	166,463,528	166,463,528
	-	-	641,037,298	641,037,298

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

10 Fair value of financial instruments

'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 in the principal or, in its absence, the most advantageous market to which the Partnership has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2016 (Un-audited)

<u>Financial assets</u>	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
FVTPL - financial assets	64,527,128	-	-	64,527,128
FVTOCI - financial assets	-	-	2,538,147	2,538,147
	<u>64,527,128</u>	<u>-</u>	<u>2,538,147</u>	<u>67,065,275</u>
<u>Non financial assets</u>				
Investment properties	-	-	172,856,118	172,856,118
	<u>-</u>	<u>-</u>	<u>172,856,118</u>	<u>172,856,118</u>

31 December 2015 (Audited)

<u>Financial assets</u>	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
FVTPL - financial assets	211,841,640	-	-	211,841,640
FVTOCI - financial assets	-	-	2,538,147	2,538,147
	<u>211,841,640</u>	<u>-</u>	<u>2,538,147</u>	<u>214,379,787</u>
<u>Non financial assets</u>				
Investment properties	-	-	172,856,118	172,856,118
	<u>-</u>	<u>-</u>	<u>172,856,118</u>	<u>172,856,118</u>

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

11 Insurance contract liabilities and reinsurance contract assets

	(Un-audited) 30 June 2016 AED	(Audited) 31 December 2015 AED
Gross		
Insurance contract liabilities		
Reserve for outstanding claims	220,486,436	255,322,763
Reserve for incurred but not reported claims (IBNR)	43,988,110	54,361,321
Reserve for outstanding claims (including IBNR)	264,474,546	309,684,084
Unearned premium reserve	218,579,371	181,528,797
Total insurance contract liabilities (gross)	483,053,917	491,212,881
Less: Recoverable from reinsurers		
Reinsurer share of outstanding claims	(130,696,360)	(169,700,906)
Reinsurer share of incurred but not reported claims (IBNR)	(10,237,000)	(24,617,567)
Reinsurer share of outstanding claims (including IBNR)	(140,933,360)	(194,318,473)
Unamortised reinsurance premium reserve	(74,036,377)	(43,909,916)
Total reinsurance contract assets	(214,969,737)	(238,228,389)
Net insurance contract liabilities	268,084,180	252,984,492

12 Cash and bank balances

	(Un-audited) 30 June 2016 AED	(Audited) 31 December 2015 AED
Cash in hand	3,167,651	2,457,283
Bank balances:		
Current accounts	12,316,048	12,996,554
Fixed deposits	261,696,233	282,370,708
	277,179,932	297,824,545

Fixed deposits with banks as at 30 June 2016 include AED 10.3 million (31 December 2015: AED 10.3 million) deposited in the name of the Company to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law Number (6) of 2007 relating to Insurance Authority.

Fixed deposits amounting to AED 243.5 million (31 December 2015: AED 253.3 million) are under lien in respect of bank credit facilities granted to the Group.

All fixed deposits with banks mature within different periods not exceeding one year from the financial date of deposit and carry interest rates between 2.5% to 5% per annum (31 December 2015: 2.5% to 5.9% per annum).

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

12 Cash and bank balances (continued)

For cash flow purposes, the cash and cash equivalents analysed as follows;

	(Un-audited)	(Audited)
	30 June	31 December
	2016	2015
	AED	AED
Bank balances and cash	277,179,932	297,824,545
Bank borrowings	(152,836,833)	(164,370,379)
Cash and cash equivalents (for cash flow statement)	124,343,099	133,454,166

13 Share capital

	(Un-audited)	(Audited)
	30 June	31 December
	2016	2015
	AED	AED
Issued and fully paid:		
230,000,000 shares of AED 1 each	230,000,000	230,000,000

14 Earnings per share

	Three-month period ended		Six-month period ended	
	30 June		30 June	
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	2016	2015	2016	2015
		(Restated)		(Restated)
Profit / (loss) for the period attributable to equity holders of the Parent (AED)	16,975,989	(28,495,233)	34,761,920	(4,272,521)
Weighted average number of shares	230,000,000	230,000,000	230,000,000	230,000,000
Basic earning / (loss) per share (AED)	0.07	(0.12)	0.15	(0.02)

Basic earning / (loss) per share are calculated by dividing the profit / (loss) for the period attributable to shareholders by the weighted average number of shares outstanding at reporting date. There is no dilution impact on basic earnings per share.

15 Contingent liabilities and capital commitments

	(Un-audited)	(Audited)
	30 June	31 December
	2016	2015
	AED	AED
Letters of guarantee	14,997,890	12,433,401
Capital commitments	4,000,000	-

The above capital commitments is for the acquisition of 7% shares in GGICO Gourmet.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

16 Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: Related Party Disclosures. Related parties comprise companies and entities under common ownership and/or common management and control, shareholders, directors and key management personnel of the Group, their close family members and entities controlled, jointly controlled or significantly influenced by such parties.

At the reporting date, amounts due from/to related parties were as follows:

	(Un-audited) 30 June 2016 AED	(Audited) ##### AED
Included in due from related parties		
Due from related parties - net of write off	<u>103,902,932</u>	<u>98,411,277</u>
Due from shareholders	<u>1,534,314</u>	<u>1,737,234</u>
Included in insurance contract liabilities		
Gross outstanding claims	<u>638,549</u>	<u>975,473</u>

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

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

	Three-month period ended 30 June		Six-month period ended 30 June	
	(Un-audited) 2016 AED	(Un-audited) 2015 AED	(Un-audited) 2016 AED	(Un-audited) 2015 AED
Gross premium	7,905,445	1,778,389	8,217,033	8,598,961
Claims paid	<u>639,496</u>	<u>178,202</u>	<u>1,196,979</u>	<u>860,354</u>
Compensation of key management personnel				
Salaries and benefits	<u>3,328,567</u>	<u>3,159,072</u>	<u>5,157,874</u>	<u>4,925,520</u>

17 Net commission income

	Three-month period ended 30 June 2016 AED (Un-audited)	Three-month period ended 30 June 2015 AED (Un-audited)	Six-month period ended 30 June 2016 AED (Un-audited)	Six-month period ended 30 June 2015 AED (Un-audited)
Gross commission earned	20,681,970	23,800,714	41,998,623	46,233,831
Less: commission incurred	<u>(8,526,427)</u>	<u>(7,397,931)</u>	<u>(17,542,521)</u>	<u>(14,433,281)</u>
	<u>12,155,543</u>	<u>16,402,783</u>	<u>24,456,102</u>	<u>31,800,550</u>

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

18 Segment information

Operating segment information

For management purposes the Group is organised into two operating segments, general insurance and life assurance. These segments are the basis on which the Group reports its primary segment information

	General insurance		Life insurance		Total	
	2016 AED	2015 AED (Restated)	2016 AED	2015 AED (Restated)	2016 AED	2015 AED (Restated)
Underwriting income						
Gross insurance premium	224,725,973	214,871,386	8,996,037	9,108,391	233,722,010	223,979,777
Less: insurance premium ceded to reinsurers	(88,966,700)	(70,543,468)	(8,970,088)	(8,648,767)	(97,936,788)	(79,192,235)
Net retained premium	135,759,273	144,327,918	25,949	459,624	135,785,222	144,787,542
Net change in unearned premium reserve	(7,035,113)	(9,030,363)	111,000	249,862	(6,924,113)	(8,780,501)
Net insurance premium	128,724,160	135,297,555	136,949	709,486	128,861,109	136,007,041
Gross claims paid	(187,441,980)	(164,300,618)	(894,111)	(4,197,240)	(188,336,091)	(168,497,858)
Insurance claims recovered from reinsurers	77,995,454	29,153,686	784,155	3,937,654	78,779,609	33,091,340
Net claims paid	(109,446,526)	(135,146,932)	(109,956)	(259,586)	(109,556,482)	(135,406,518)
Net change in outstanding claims	(8,082,629)	4,314,183	(92,946)	(591,861)	(8,175,575)	3,722,322
Net claims incurred	(117,529,155)	(130,832,749)	(202,902)	(851,447)	(117,732,057)	(131,684,196)
Net commission income	19,770,282	27,668,472	4,685,820	4,132,078	24,456,102	31,800,550
General and administrative expenses	(22,284,532)	(19,798,102)	(298,139)	(304,566)	(22,582,671)	(20,102,668)
Underwriting profit	8,680,755	12,335,176	4,321,728	3,685,551	13,002,483	16,020,727
Net investments income					21,413,220	(20,541,699)
Profit / (loss) for the period					34,415,703	(4,520,972)

Al-Sagr National Insurance Company (Public Shareholding Company)
and its subsidiary

Notes (continued)

18 Segment information (continued)

Operating segment information

	General insurance		Life insurance		Total	
	2016 AED	2015 AED	2016 AED	2015 AED	2016 AED	2015 AED
ASSETS						
Property and equipment	8,421,540	8,973,731	150,002	160,148	8,571,542	9,133,879
Investment properties	172,856,118	172,856,118	-	-	172,856,118	172,856,118
Investments	67,065,275	214,379,787	-	-	67,065,275	214,379,787
Investment in associates	176,654,155	166,341	-	-	176,654,155	166,341
Reinsurance contract assets	200,103,056	227,853,389	14,866,681	10,375,000	214,969,737	238,228,389
Insurance and other receivables	269,360,165	229,751,069	1,116,165	2,285,138	270,476,330	232,036,207
Due from related parties	103,902,932	98,411,277	-	-	103,902,932	98,411,277
Cash and bank balances	268,679,932	289,324,545	8,500,000	8,500,000	277,179,932	297,824,545
Total assets	1,267,043,173	1,241,716,257	24,632,848	21,320,286	1,291,676,021	1,263,036,543
LIABILITIES						
Due to related parties	472,174	519,307	-	-	472,174	519,307
Provision for employees' end of service indemnity	13,587,527	13,193,430	186,266	174,184	13,773,793	13,367,614
Insurance contract liabilities	467,467,164	480,099,881	15,586,753	11,113,000	483,053,917	491,212,881
Bank borrowings	152,836,833	164,370,379	-	-	152,836,833	164,370,379
Insurance and other payables	177,837,097	164,130,877	2,183,670	2,332,651	180,020,767	166,463,528
Total liabilities	812,200,795	822,313,874	17,956,689	13,619,835	830,157,484	835,933,709
EQUITY						
Share capital	-	-	-	-	230,000,000	230,000,000
Legal reserve	-	-	-	-	63,115,259	63,115,259
General reserve	-	-	-	-	200,000,000	200,000,000
Fair value reserve	-	-	-	-	(1,361,523)	(1,361,523)
Accumulated loss	-	-	-	-	(30,539,212)	(65,301,132)
Equity attributable to shareholders of the Company					461,214,524	426,452,604
Non-controlling interests					304,013	650,230
Total equity					461,518,537	427,102,834
Total liabilities and equity					1,291,676,021	1,263,036,543

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

19 Effect of changes in accounting policies

The Group has voluntarily changed its accounting policy for recognising UPR, IBNR and commission income related to underwriting activities.

- (a) Impact of change in accounting policies on the consolidated statement of profit or loss for the period ended 30 June 2015 is as follows:

	As previously reported AED	Adjustment AED	Restated AED
Net change in unearned premium reserve	(16,710,763)	7,930,262	(8,780,501)
Net change in outstanding claims	(9,134,667)	12,856,989	3,722,322
Earnings per share (AED)	(0.11)	0.09	(0.02)

Change in accounting policy resulted in increase in previously reported consolidated profit for the period ended 30 June 2015 by AED 20.79 million and consequently increased earning per share by AED 0.09.

20 Comparative figures

Certain comparative figures have been reclassified where appropriate to conform with the presentation and accounting policies adopted in these condensed consolidated interim financial information.