

Al-Sagr National Insurance Company (PSC)

Condensed interim financial statements (Unaudited)

For the period ended 30 June 2019

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Review report of the Independent Auditor
To the Shareholders of Al-Sagr National Insurance Company (PSC)

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Introduction

We have reviewed the accompanying condensed interim statement of financial position of Al-Sagr National Insurance Company (PSC) (the “Company”) as of 30 June 2019 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the six month 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 this 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 financial statements for the year ended 31 December 2018 and the condensed interim financial statements for the period ended 30 June 2018 were audited and reviewed by another auditor who expressed an unmodified opinion and an unqualified conclusion on those statements on 27 March 2019 and 13 August 2018 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


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DUBAI-U.A.E.
Public Accountants


Registration No: 86
Dubai, 8 August 2019.

Al-Sagr National Insurance Company (PSC)
Condensed interim financial statements (Unaudited)

Condensed interim statement of financial position
As at 30 June 2019

| | Notes | (Unaudited) 30 June 2019 AED | (Audited) 31 December 2018 AED |
|---|-------|------------------------------------|--------------------------------------|
| ASSETS | | | |
| Property and equipment | 3 | 13,992,913 | 5,929,166 |
| Investment in associates | 4 | 160,721,036 | 163,892,043 |
| Investment in financial assets at FVTPL | 5 | 38,420,418 | 39,627,729 |
| Investment properties | 6 | 192,474,196 | 180,748,509 |
| Insurance receivables | | 165,684,239 | 131,302,311 |
| Reinsurer share of outstanding claims | | 33,883,415 | 46,570,210 |
| Reinsurer share of incurred but not reported claims | | 17,224,000 | 15,561,000 |
| Reinsurer share of unearned premium reserve | | 72,095,000 | 52,896,000 |
| Due from related parties | 10 | 95,579,687 | 98,907,512 |
| Other receivables and prepayments | | 23,788,354 | 21,871,889 |
| Cash and bank balances | 7 | 213,868,901 | 213,704,881 |
| TOTAL ASSETS | | 1,027,732,159 | 971,011,190 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 8 | 230,000,000 | 230,000,000 |
| Statutory reserve | 9 | 69,430,174 | 69,430,174 |
| General reserve | 9 | 100,000,000 | 100,000,000 |
| Retained earnings | | 52,377,128 | 53,321,364 |
| Total equity | | 451,807,302 | 452,751,538 |
| Liabilities | | | |
| Due to related parties | 10 | 78,590 | 78,590 |
| Provision for employees' end of service indemnity | | 11,104,706 | 14,482,188 |
| Bank borrowings | 7 | 99,587,330 | 108,069,434 |
| Insurance and other payables | | 121,516,682 | 100,353,285 |
| Lease liability | 3 | 7,817,927 | - |
| Outstanding claims reserve | | 69,885,622 | 70,440,155 |
| Incurred but not reported claims reserve | | 52,537,000 | 49,443,000 |
| Unearned premium reserve | | 207,894,000 | 172,409,000 |
| Unexpired risk reserve | | 1,420,000 | 630,000 |
| Unallocated loss adjustment expense reserve | | 4,083,000 | 2,354,000 |
| Total liabilities | | 575,924,857 | 518,259,652 |
| TOTAL EQUITY AND LIABILITIES | | 1,027,732,159 | 971,011,190 |

The condensed interim financial statements were authorised for issue in accordance with a resolution of the Directors on 8 August 2019.


Majid Abdulla M. Saei
Chairman


Abdel Muhsen Jaber
Director and General Manager

The notes from 1 to 16 form an integral part of these condensed interim financial statements.

Al-Sagr National Insurance Company (PSC)
Condensed interim financial statements (Unaudited)

Condensed interim income statement
For the period ended 30 June 2019

| | (Unaudited) Three months period ended 30 June 2019 AED | (Unaudited) Three months period ended 30 June 2018 AED | (Unaudited) Six months period ended 30 June 2019 AED | (Unaudited) Six months period ended 30 June 2018 AED |
|---|--|--|--|--|
| UNDERWRITING INCOME | | | | |
| Gross premium | 107,860,086 | 94,138,881 | 211,649,419 | 201,025,133 |
| Less: reinsurance share of gross premium | (44,693,391) | (39,235,585) | (79,265,849) | (89,242,589) |
| Less: reinsurance share of ceded business premium | (241,252) | (913,186) | (1,476,694) | (913,186) |
| Net retained premium | 62,925,443 | 53,990,110 | 130,906,876 | 110,869,358 |
| Net change in unearned premium reserve | (8,238,000) | 30,000 | (16,286,000) | (8,435,000) |
| Net insurance premium | 54,687,443 | 54,020,110 | 114,620,876 | 102,434,358 |
| | | | | |
| Commission earned | 13,595,896 | 16,210,806 | 29,640,144 | 36,034,250 |
| Commission incurred | (7,935,084) | (7,517,070) | (18,828,384) | (16,726,311) |
| Gross underwriting income | 60,348,255 | 62,713,846 | 125,432,636 | 121,742,297 |
| UNDERWRITING EXPENSES | | | | |
| Gross claims paid | (49,212,685) | (55,310,487) | (113,615,930) | (145,337,250) |
| Insurance claims recovered from reinsurers | 19,639,301 | 20,155,003 | 44,162,788 | 69,439,442 |
| Net claims paid | (29,573,384) | (35,155,484) | (69,453,142) | (75,897,808) |
| (Increase)/decrease in provision for outstanding claims | (3,769,569) | (235,422) | 552,532 | 29,336,801 |
| Decrease in reinsurer share of outstanding claims | (7,674,212) | (5,419,135) | (12,686,795) | (33,389,922) |
| Increase in unexpired risk reserve | 384,000 | (187,000) | (790,000) | (200,000) |
| Increase in incurred but not reported claims reserve | (487,000) | (2,074,000) | (1,431,000) | (1,689,000) |
| Increase in unallocated loss adjustment expense reserve | (261,000) | (1,000) | (1,727,000) | (315,000) |
| Net claims incurred | (41,381,165) | (43,072,041) | (85,535,405) | (82,154,929) |
| | | | | |
| UNDERWRITING INCOME | 18,967,090 | 19,641,805 | 39,897,231 | 39,587,368 |
| INVESTMENT INCOME | | | | |
| Net investments income | 622,481 | 2,583,660 | 1,419,287 | 2,404,668 |
| Share of profits/(losses) from equity accounted investees | 90,070 | (205,318) | (3,171,007) | 1,067,363 |
| General and administrative expenses | (13,624,124) | (12,341,645) | (25,667,902) | (23,502,561) |
| PROFIT FOR THE PERIOD | 6,055,517 | 9,678,502 | 12,477,609 | 19,556,838 |
| | | | | |
| Basic and diluted earnings per share (AED) | 0.03 | 0.04 | 0.05 | 0.09 |

The notes from 1 to 16 form an integral part of these condensed interim financial statements.

Al-Sagr National Insurance Company (PSC)
Condensed interim financial statements (Unaudited)

Condensed interim statement of comprehensive income
For the period ended 30 June 2019

| | (Unaudited) Three months period ended 30 June 2019 AED | (Unaudited) Three months period ended 30 June 2018 AED | (Unaudited) Six months period ended 30 June 2019 AED | (Unaudited) Six months period ended 30 June 2018 AED |
|--|--|--|--|--|
| Profit for the period | 6,055,517 | 9,678,502 | 12,477,609 | 19,556,838 |
| Other comprehensive income | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 6,055,517 | 9,678,502 | 12,477,609 | 19,556,838 |

The notes from 1 to 16 form an integral part of these condensed interim financial statements.

**Al-Sagr National Insurance Company (PSC)
Condensed interim financial statements (Unaudited)**

**Condensed interim statement of changes in equity
For the period ended 30 June 2019**

| | Share capital AED | Statutory reserve AED | General reserve AED | Retained earnings AED | Total equity AED |
|--|----------------------|--------------------------|------------------------|--------------------------|---------------------|
| Balance at 1 January 2019 (Audited) | 230,000,000 | 69,430,174 | 100,000,000 | 53,321,364 | 452,751,538 |
| Impact of adopting IFRS 16 (note 3) | - | - | - | (171,845) | (171,845) |
| As at 1 January 2019 (Unaudited) | 230,000,000 | 69,430,174 | 100,000,000 | 53,149,519 | 452,579,693 |
| Profit for the period | - | - | - | 12,477,609 | 12,477,609 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | 12,477,609 | 12,477,609 |
| <i>Transactions with owners</i> | | | | | |
| Dividends paid (note 15) | - | - | - | (11,500,000) | (11,500,000) |
| Directors fees paid | - | - | - | (1,750,000) | (1,750,000) |
| Balance at 30 June 2019 (Unaudited) | 230,000,000 | 69,430,174 | 100,000,000 | 52,377,128 | 451,807,302 |
| Balance at 1 January 2018 (Audited) | 230,000,000 | 67,257,868 | 100,000,000 | 57,863,417 | 455,121,285 |
| Impact of adopting IFRS 9 | - | - | - | (10,592,810) | (10,592,810) |
| As at 1 January 2018 (Unaudited) | 230,000,000 | 67,257,868 | 100,000,000 | 47,270,607 | 444,528,475 |
| Profit for the period | - | - | - | 19,556,838 | 19,556,838 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | 19,556,838 | 19,556,838 |
| <i>Transactions with owners</i> | | | | | |
| Dividends paid (note 15) | - | - | - | (11,500,000) | (11,500,000) |
| Directors fees paid | - | - | - | (2,000,000) | (2,000,000) |
| Balance at 30 June 2018 (Unaudited) | 230,000,000 | 67,257,868 | 100,000,000 | 53,327,445 | 450,585,313 |

The notes from 1 to 16 form an integral part of these condensed interim financial statements.

Al-Sagr National Insurance Company (PSC)
Condensed interim financial statements (Unaudited)

Condensed interim statement of cash flows
For the period ended 30 June 2019

| | Notes | (Unaudited) Six months period ended 30 June 2019 AED | (Unaudited) Six months period ended 30 June 2018 AED |
|---|-------|--|--|
| OPERATING ACTIVITIES | | | |
| Profit for the period | | 12,477,609 | 19,556,838 |
| <i>Adjustment for:</i> | | | |
| Depreciation | | 1,645,461 | 728,401 |
| Net unrealised loss from investments in financial assets at FVTPL | 5 | 469,490 | 504,451 |
| Gain on disposal of investments in financial assets at FVTPL | | (83,443) | - |
| Interest income | | (3,612,335) | (3,068,656) |
| Dividend income | | (295,620) | (1,652,109) |
| Share of loss/(profit) from equity accounted investees | 4 | 3,171,007 | (1,067,363) |
| Provision for employees' end of service benefits | | 551,760 | 770,000 |
| Finance costs | | 2,094,618 | 2,237,640 |
| Interest on lease liability | 3 | 175,710 | - |
| | | <u>16,594,257</u> | <u>18,009,202</u> |
| <i>Changes in operating assets and liabilities:</i> | | | |
| Insurance receivables | | (34,381,928) | (31,627,868) |
| Reinsurer share of outstanding claims | | 12,686,795 | 33,389,922 |
| Reinsurer share of incurred but not reported claims | | (1,663,000) | 1,100,000 |
| Reinsurer share of unearned premium reserve | | (19,199,000) | (19,015,000) |
| Due from related parties | | 3,327,825 | (1,460,590) |
| Other receivables and prepayments | | (2,328,563) | (3,078,574) |
| Due to related parties | | - | (91,800) |
| Insurance and other payables | | 21,163,397 | (24,615,550) |
| Outstanding claims reserve | | (554,533) | (29,336,801) |
| Incurred but not reported claims reserve | | 3,094,000 | 589,000 |
| Unearned premium reserve | | 35,485,000 | 27,450,000 |
| Unexpired risk reserve | | 790,000 | 200,000 |
| Unallocated loss adjustment expense reserve | | 1,729,000 | 315,000 |
| | | <u>36,743,250</u> | <u>(28,173,059)</u> |
| Employees' end of service benefits paid | | (3,929,243) | (773,717) |
| Net cash generated from/(used in) operating activities | | <u>32,814,007</u> | <u>(28,946,776)</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (824,788) | (572,369) |
| Addition in investment properties; net | 6 | (11,725,687) | (1,271,081) |
| Net proceeds from sale of investment in financial assets at FVTPL | | 821,264 | 1,999,528 |
| Net proceeds from assets held for sale | | - | 1,154,954 |
| Dividends received | | 295,620 | 1,652,109 |
| Interest received | | 3,612,335 | 3,068,656 |
| Net cash (used in)/generated from investing activities | | <u>(7,821,256)</u> | <u>6,031,797</u> |
| FINANCING ACTIVITIES | | | |
| Interest paid | | (2,094,618) | (2,237,640) |
| Dividend paid | 15 | (11,500,000) | (11,500,000) |
| Directors fees paid | | (1,750,000) | (2,000,000) |
| Payment of lease liability | 3 | (1,002,009) | - |
| Net cash used in financing activities | | <u>(16,346,627)</u> | <u>(15,737,640)</u> |
| Net change in cash and cash equivalents | | 8,646,124 | (38,652,619) |
| Cash and cash equivalents, beginning of period | | <u>105,635,447</u> | <u>113,792,885</u> |
| Cash and cash equivalents, end of period | 7 | <u><u>114,281,571</u></u> | <u><u>75,140,266</u></u> |

The notes from 1 to 16 form an integral part of these condensed interim financial statements.

Al-Sagr National Insurance Company (PSC) Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements For the period ended 30 June 2019

1 Legal status and activities

Al-Sagr National Insurance Company (PSC), (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 Co. PSC (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 Khaimah and Ajman in the U.A.E.

2 Basis of preparation

The condensed interim financial statements are for the six months period ended 30 June 2019 and are presented in United Arab Emirate Dirham (AED), which is also the functional currency of the Company. These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

3 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 except for those mentioned below.

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 modified retrospective transition approach. IFRS 16 replaces IAS 17 'Leases'. Leases will be recorded in the statement of financial position in the form of a right-to-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-to-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.

Al-Sagr National Insurance Company (PSC)
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 June 2019

3 Significant accounting policies (continued)

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

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 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 rights-to-use assets were measured at their carrying amounts which is equivalent to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, at the inception of the lease, as if the standard had been applied since the commencement date but discounted using the lessee's incremental borrowing rate till 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 financial statements is as follows:

| | |
|---|---------------------|
| | (Unaudited) |
| | 30 June 2019 |
| | AED |
| Property and equipment | |
| Property and equipment | 5,996,839 |
| Right to use – land and building | 7,996,074 |
| | <u>13,992,913</u> |
| Right-to-use asset | |
| Balance as at 1 January 2019 (Unaudited) | 8,884,480 |
| Depreciation charge for the period | (888,406) |
| Balance as at 30 June 2019 (Unaudited) | <u>7,996,074</u> |
| Lease liability | |
| Balance as at 1 January 2019 (Unaudited) | 8,644,226 |
| Lease payments made during the period | (1,002,009) |
| Interest on lease liability | 175,710 |
| Balance as at 30 June 2019 (Unaudited) | <u>7,817,927</u> |
| | (Unaudited) |
| | Six months |
| | period ended |
| | 30 June 2019 |
| | AED |
| Amounts recognised in the income statement | |
| General and administrative expenses | |
| Interest expense on lease liability | 175,710 |
| Depreciation of right-to-use asset | 888,406 |
| | <u>1,064,116</u> |
| | 31 December |
| | 2018 |
| | AED |
| Impact on opening retained earnings | |
| Right-to-use assets | 8,884,480 |
| Lease liability | (8,644,226) |
| Reversal of prepayment | (412,099) |
| | <u>(171,845)</u> |

Al-Sagr National Insurance Company (PSC)
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 June 2019

3 Significant accounting policies (continued)

Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumption that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may substantially be different.

Outstanding claims and technical provisions

The estimation of the ultimate liability (both technical and outstanding) arising from claims made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events.

Classification of investment property

The fair value of investment property was determined by external, independent property values, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio annually.

Impairment losses on insurance receivables

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

4 Investment in associates

| | (Unaudited) 30 June 2019 | (Audited) 31 December 2018 |
|---|-----------------------------|-------------------------------|
| | AED | AED |
| Green Air Technology L.L.C., UAE | 16,716 | 16,716 |
| Sogour Al Khaleej General Trading L.L.C., UAE | 150,000 | 150,000 |
| Al Sagr Cooperative Insurance Company | 160,554,320 | 163,725,327 |
| | <u>160,721,036</u> | <u>163,892,043</u> |

The Company holds 50% and the Parent Company holds 25% ownership respectively in Green Air Technology L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates.

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

Al-Sagr National Insurance Company (PSC)
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 June 2019

4 Investment in associates (continued)

As at 30 June 2019, the Company hold 26% shares of Al Sagr Cooperative Insurance Company ("Al Sagr Cooperative"). Out of the 26% shares, the Company holds 6% shares for the beneficial interest of other individuals. The Company accounts for the 20% holding as an investment in associate as the Company has significant influence over Al Sagr Cooperative under the equity method as follows:

| | (Unaudited) 30 June 2019 AED | (Audited) 31 December 2018 AED |
|---|------------------------------------|--------------------------------------|
| Balance at the beginning | 163,725,327 | 165,579,677 |
| Company's share of net (losses)/profits for the period / year | (3,171,007) | 1,820,650 |
| Dividend received during the period / year | - | (3,675,000) |
| Balance at the end | <u>160,554,320</u> | <u>163,725,327</u> |

5 Investment in financial assets at fair value through profit and loss

Investments in financial assets at fair value through profit and loss consist of the following:

| | (Unaudited) 30 June 2019 AED | (Audited) 31 December 2018 AED |
|--|------------------------------------|--------------------------------------|
| Investment in quoted securities | 21,518,367 | 22,425,678 |
| Investment in unquoted securities | 4,148,577 | 4,148,577 |
| Investment in funds | 4,703,474 | 4,703,474 |
| Investment in companies with a related party | 8,050,000 | 8,350,000 |
| | <u>38,420,418</u> | <u>39,627,729</u> |

Investments in funds includes investment with a related party amounting to AED 3.3 million (31 December 2018: AED 3.3 million).

The revaluation of investment securities resulted in net unrealised loss of AED 469,490 for the six-month period ended 30 June 2019 (six-month period ended 30 June 2018: net unrealised loss of AED 504,451). During the current period, Company received dividend income of AED 295,620 (six-month period ended 30 June 2018: AED 1,652,109) on its investments in securities.

6 Investment properties

| | (Unaudited) 30 June 2019 AED | (Audited) 31 December 2018 AED |
|-------------------------------------|------------------------------------|--------------------------------------|
| At the beginning of the period/year | 180,748,509 | 172,602,503 |
| Additions during the period/year | 11,725,687 | 11,695,200 |
| Decrease in the fair value | - | (3,549,194) |
| At the end of the period/year | <u>192,474,196</u> | <u>180,748,509</u> |

As at 30 June 2019, the Company has two investment properties out of which one property is Meydan Tower (property is under development but construction has not started), located in Dubai controlled by GGICO Real Estate Development Co. L.L.C. in which the Company has 10% ownership. The carrying value of the property is AED 76.75 million (31 December 2018: AED 76.45 million). The Company has assessed the fair value of the investment property as at 30 June 2019 and the fair value of investment property is not significantly different from its carrying value.

Al-Sagr National Insurance Company (PSC)
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 June 2019

6 Investment properties (continued)

Another property located in Al Barsha First, Dubai is currently under development, and has a carrying value of AED 115.72 million (31 December 2018: AED 104 million) and the additions during the period pertains to this property. The management of the Company is of the view that assessment of fair value of under development property is difficult as appraiser normally uses fair value of land on the basis of precedent market transaction concluded in the recent past. Further, as allowed under IAS 40, till the completion management can carry under development property at cost.

7 Cash and cash equivalents

| | (Unaudited) 30 June 2019 AED | (Audited) 31 December 2018 AED |
|------------------------------|------------------------------------|--------------------------------------|
| Cash in hand | 109,335 | 258,091 |
| Bank balances: | | |
| Current accounts | 1,762,166 | 2,030,871 |
| Fixed deposits | 211,997,400 | 211,449,900 |
| Less: Expected credit losses | - | (33,981) |
| | <u>213,868,901</u> | <u>213,704,881</u> |

Fixed deposits with banks as at 30 June 2019 include AED 10.3 million (31 December 2018: 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.

All fixed deposits with banks mature within different periods not exceeding one year from the financial date of deposit and carry interest rates between 3% to 3.8% per annum (31 December 2018: 3% to 3.6% per annum).

Cash and cash equivalents for the purpose of statement of cash flows is analysed as follows:

| | (Unaudited) 30 June 2019 AED | (Unaudited) 30 June 2018 AED | (Audited) 31 December 2018 AED |
|------------------------|------------------------------------|------------------------------------|--------------------------------------|
| Cash and bank balances | 213,868,901 | 205,747,689 | 213,704,881 |
| Bank borrowings | (99,587,330) | (130,607,423) | (108,069,434) |
| | <u>114,281,571</u> | <u>75,140,266</u> | <u>105,635,447</u> |

The Company has bank facilities in the form of overdrafts repayable upon demand and bearing interest ranging from 3.65% to 4.5% per annum (2018: 3.65% to 4.5%). These facilities are secured by lien on fixed deposits amounting to AED 183.6 million (2018: AED 183.6 million).

8 Share capital

| | (Unaudited) 30 June 2019 AED | (Audited) 31 December 2018 AED |
|---|------------------------------------|--------------------------------------|
| Issued and fully paid 230,000,000 shares of AED 1 each (31 December 2018: 230,000,000 share of AED 1 each) | <u>230,000,000</u> | <u>230,000,000</u> |

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9 Reserves

Statutory reserve

In accordance with the UAE Commercial Companies Law no. (2) of 2015 (the "Law") and the Company's Articles of Association, 10% of the profit for the year should be transferred to legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the Law. During the period, no transfers were made to the statutory reserve (31 December 2018: AED 2.17 million).

General reserve

The general reserve is established through transfers from profit for the year as recommended by the Board of Directors and approved by the Shareholders at the Annual General Meeting. The reserve is distributable based on a recommendation by the Board of Directors approved by a Shareholders' resolution. During the period no transfers were made to the general reserves (31 December 2018: Nil)

10 Related parties

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as contained as IAS 24. These transactions are carried out at terms mutually agreed between the parties on an arm's length basis.

Transactions with related parties

| | (Unaudited) Six months period ended 30 June 2019 AED | (Unaudited) Six months period ended 30 June 2018 AED |
|----------------|--|--|
| Gross premiums | 1,541,142 | 3,335,740 |
| Claims paid | 1,283,985 | 882,741 |

Key managerial personnel remuneration

| | | |
|-----------------------|-----------|-----------|
| Salaries and benefits | 2,041,032 | 3,385,944 |
|-----------------------|-----------|-----------|

Related party balances

| | (Unaudited) 30 June 2019 AED | (Audited) 31 December 2018 AED |
|---------------------------------|------------------------------------|---|
| Due from related parties | | |
| Entities under common control | 105,498,226 | 108,344,692 |
| Due from shareholders | 2,786,461 | 3,267,820 |
| | 108,284,687 | 111,612,512 |
| Less: expected credit losses | (12,705,000) | (12,705,000) |
| | 95,579,687 | 98,907,512 |

Due to related parties

| | | |
|-------------------------------|--------|--------|
| Entities under common control | 78,590 | 78,590 |
|-------------------------------|--------|--------|

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11 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the period, net of directors' fees, by the weighted average number of shares outstanding during the period as follows:

| | Three months period ended | | Six months period ended | |
|---|---------------------------|-------------|-------------------------|-------------|
| | 30 June (Unaudited) | | 30 June (Unaudited) | |
| | 2019 | 2018 | 2019 | 2018 |
| Profit for the period (AED) | 6,055,517 | 9,678,502 | 12,477,609 | 19,556,838 |
| Weighted average number of shares outstanding during the period | 230,000,000 | 230,000,000 | 230,000,000 | 230,000,000 |
| Earnings per share (AED) | 0.03 | 0.04 | 0.05 | 0.09 |

The Company does not have potentially diluted shares and accordingly, diluted earnings per share equals basic earnings per share.

12 Segmental information

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

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12 Segmental information (continued)

| | General insurance | | Life insurance | | Total | |
|---|------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|----------------------|------------------------------------|
| | (Unaudited) 30 June 2019 AED | (Audited) 31 December 2018 AED | (Unaudited) 30 June 2019 AED | (Audited) 31 December 2018 AED | | (Unaudited) 30 June 2019 AED |
| ASSETS | | | | | | |
| Property and equipment | 13,877,963 | 5,806,492 | 114,950 | 122,614 | 13,992,913 | 5,929,106 |
| Investment in associates | 160,721,036 | 163,892,043 | - | - | 160,721,036 | 163,892,043 |
| Investment in financial assets at FVTPL | 38,420,418 | 39,627,729 | - | - | 38,420,418 | 39,627,729 |
| Investment properties | 192,474,196 | 180,748,509 | - | - | 192,474,196 | 180,748,509 |
| Insurance receivables | 164,501,787 | 130,123,687 | 1,182,452 | 1,178,624 | 165,684,239 | 131,302,311 |
| Reinsurer share of outstanding claims | 31,452,778 | 42,639,228 | 2,430,637 | 3,930,982 | 33,883,415 | 46,570,210 |
| Reinsurer share of incurred but not reported claims | 16,050,000 | 14,265,000 | 1,174,000 | 1,296,000 | 17,224,000 | 15,561,000 |
| Reinsurer share of unearned premium reserve | 65,286,000 | 49,627,000 | 6,809,000 | 3,269,000 | 72,095,000 | 52,896,000 |
| Due from related parties | 95,239,970 | 98,603,176 | 339,717 | 304,336 | 95,579,687 | 98,907,512 |
| Other receivables and prepayments | 23,787,044 | 21,871,889 | 1,310 | - | 23,788,354 | 21,871,889 |
| Cash and bank balances | 205,368,901 | 205,204,881 | 8,500,000 | 8,500,000 | 213,868,901 | 213,704,881 |
| Total assets | 1,007,180,093 | 952,409,634 | 20,552,066 | 18,601,556 | 1,027,732,159 | 971,011,190 |
| LIABILITIES | | | | | | |
| Due to related parties | 78,590 | 78,590 | - | - | 78,590 | 78,590 |
| Provision for employees' end of service indemnity | 10,768,916 | 14,158,934 | 335,790 | 323,254 | 11,104,706 | 14,482,188 |
| Bank borrowings | 99,587,330 | 108,069,434 | - | - | 99,587,330 | 108,069,434 |
| Insurance and other payables | 116,496,883 | 97,993,605 | 5,019,799 | 2,359,680 | 121,516,682 | 100,353,285 |
| Lease liability | 7,817,927 | - | - | - | 7,817,927 | - |
| Outstanding claims reserve | 67,149,052 | 66,022,102 | 2,736,570 | 4,418,053 | 69,885,622 | 70,440,155 |
| Incurred but not reported claims reserve | 51,293,000 | 48,049,000 | 1,244,000 | 1,394,000 | 52,537,000 | 49,443,000 |
| Unearned premium reserve | 201,498,000 | 169,203,000 | 6,396,000 | 3,206,000 | 207,894,000 | 172,409,000 |
| Unexpired risk reserve | 608,000 | 330,000 | 812,000 | 300,000 | 1,420,000 | 630,000 |
| Unallocated loss adjustment expense reserve | 3,952,000 | 2,246,000 | 131,000 | 108,000 | 4,083,000 | 2,354,000 |
| Total liabilities | 559,249,698 | 506,150,665 | 16,675,159 | 12,108,987 | 575,924,857 | 518,259,652 |

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12 Segmental information (continued)

| For the six months period ended | General insurance | | Life insurance | | Total | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | (Unaudited) 30 June 2019 AED | (Unaudited) 30 June 2018 AED | (Unaudited) 30 June 2019 AED | (Unaudited) 30 June 2018 AED | (Unaudited) 30 June 2019 AED | (Unaudited) 30 June 2018 AED |
| Underwriting income | | | | | | |
| Gross premium | 202,910,321 | 191,261,869 | 8,739,098 | 9,763,264 | 211,649,419 | 201,025,133 |
| Less: reinsurance share of gross premium | (70,787,535) | (79,906,061) | (8,478,314) | (9,336,528) | (79,265,849) | (89,242,589) |
| Less: reinsurance share of ceded business premium | (1,476,694) | (913,186) | - | - | (1,476,694) | (913,186) |
| Net retained premium | 130,646,092 | 110,442,622 | 260,784 | 426,736 | 130,906,876 | 110,869,358 |
| Net change in unearned premium reserve | (16,636,000) | (8,698,000) | 350,000 | 263,000 | (16,286,000) | (8,435,000) |
| Net insurance premium | 114,010,092 | 101,744,622 | 610,784 | 689,736 | 114,620,876 | 102,434,358 |
| Commission earned | 25,359,867 | 31,071,742 | 4,280,277 | 4,962,508 | 29,640,144 | 36,034,250 |
| Commission incurred | (18,010,153) | (15,849,482) | (818,231) | (876,829) | (18,828,384) | (16,726,311) |
| Gross underwriting income | 121,359,806 | 116,966,882 | 4,072,830 | 4,775,415 | 125,432,636 | 121,742,297 |
| Gross claims paid | (111,948,990) | (144,583,306) | (1,666,940) | (753,944) | (113,615,930) | (145,337,250) |
| Insurance claims recovered from reinsurers | 42,678,171 | 68,792,276 | 1,484,617 | 647,166 | 44,162,788 | 69,439,442 |
| Net claims paid | (69,270,819) | (75,791,030) | (182,323) | (106,778) | (69,453,142) | (75,897,808) |
| Decrease in provision for outstanding claims | (1,128,951) | 30,379,659 | 1,681,483 | (1,042,858) | 552,532 | 29,336,801 |
| Decrease in reinsurer share of outstanding claims | (11,186,449) | (32,473,887) | (1,500,346) | (916,035) | (12,686,795) | (33,389,922) |
| (Increase) / decrease in unexpired risk reserve | (278,000) | 315,000 | (512,000) | (515,000) | (790,000) | (200,000) |
| (Increase) / decrease in incurred but not reported claims reserve | (1,459,000) | (1,662,000) | 28,000 | (27,000) | (1,431,000) | (1,689,000) |
| (Increase) / decrease in unallocated loss adjustment expense reserve | (1,704,000) | (303,000) | (23,000) | (12,000) | (1,727,000) | (315,000) |
| Net claims incurred | (85,027,219) | (79,535,258) | (508,186) | (2,619,671) | (85,535,405) | (82,154,929) |
| Net underwriting profit | 36,332,587 | 37,431,624 | 3,564,644 | 2,155,744 | 39,897,231 | 39,587,368 |
| Net investments income/(loss) | | | | | 1,419,287 | 2,404,668 |
| Share of (losses)/profits from equity accounted investees | | | | | (3,171,007) | 1,067,363 |
| General and administrative expenses | | | | | (25,667,902) | (23,502,561) |
| Profit for the period | | | | | 12,477,609 | 19,556,838 |

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13 Fair value measurement

Financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets;
- Level 2 – 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 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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:

| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
|---|----------------|----------------|----------------|--------------|
| 30 June 2019 (Unaudited) | | | | |
| Investment in financial assets at FVTPL | 21,518,367 | - | 16,902,051 | 38,420,418 |
| 31 December 2018 (Audited) | | | | |
| Investment in financial assets at FVTPL | 22,425,678 | - | 17,202,051 | 39,627,729 |

14 Contingent liabilities and commitments

| | (Unaudited) 30 June 2019 AED | (Audited) 31 December 2018 AED |
|----------------------|------------------------------------|--------------------------------------|
| Letters of guarantee | 17,510,185 | 18,073,809 |

15 Dividend

Dividend of AED 0.05 per share amounting to AED 11.5 million relating to the year ended 31 December 2018 was approved by the shareholders at the Annual General Meeting held on 16 April 2019.

During the comparative period, dividend of AED 0.05 per share amounting to AED 11.5 million relating to the year ended 31 December 2017 was approved by the shareholders at the Annual General Meeting held on 17 April 2018 and paid on 13 May 2018.

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16 Comparative figures

Following comparative figures have been reclassified in order to conform with current condensed interim financial information 's presentation and improve the quality of information presented. However, there is no effect on previously reported total assets, total equity, total liabilities and profit for the period, therefore, the requirement for presentation of three statements of financial position as per IAS 1 "Presentation of Financial Statements" is omitted.

| | As previously reported AED | Reclassification AED | Reclassified AED |
|--|----------------------------------|-------------------------|---------------------|
| For the six-month period ended 30 June 2018 | | | |
| Net investment (loss)/income | (3,177,523) | 5,582,191 | 2,404,668 |
| General and administrative expenses | <u>(17,920,370)</u> | <u>(5,582,191)</u> | <u>(23,502,561)</u> |
| For the three-month period ended 30 June 2018 | | | |
| Net investment (loss)/income | (868,128) | 3,451,788 | 2,583,660 |
| General and administrative expenses | <u>(8,889,857)</u> | <u>(3,451,788)</u> | <u>(12,341,645)</u> |