

# **Al-Sagr National Insurance Company (PSC)**

Condensed interim financial statements (Unaudited)

For the period ended 30 June 2021

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

***Introduction***


We have reviewed the accompanying condensed interim statement of financial position of Al-Sagr National Insurance Company (PSC) (the “Company”) as at 30 June 2021 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 months period then ended and explanatory information. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.


***Scope of review***

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

***Conclusion***

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

  
**Grant Thornton**  
**Farouk Mohamed**  
**Registration No: 86**  
**Dubai, 14 August 2021**





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

**Condensed interim statement of financial position**  
**As at 30 June 2021**

		(Unaudited) 30 June 2021	(Audited) 31 December 2020
	Notes	AED	AED
<b>ASSETS</b>			
Property and equipment		84,489,037	85,898,250
Investment in associates	4	122,679,677	135,846,353
Investment in financial assets at FVTPL	5	15,334,727	16,035,325
Investment property	6	157,931,895	157,931,895
Insurance receivables		158,655,644	145,699,528
Reinsurer share of outstanding claims		116,977,533	148,879,390
Reinsurer share of incurred but not reported claims		19,594,006	16,036,589
Reinsurer share of unearned premium reserve		69,203,292	54,989,405
Reinsurer share of mathematical reserve		1,386,000	1,137,870
Deferred acquisition costs		38,776,207	37,338,946
Due from related parties	10	15,901,196	15,088,672
Other receivables and prepayments		16,071,623	6,660,423
Bank balances and cash	7	199,538,990	201,685,769
<b>TOTAL ASSETS</b>		<b>1,016,539,827</b>	<b>1,023,228,415</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	230,000,000	230,000,000
Statutory reserve	9	70,203,206	70,203,206
General reserve	9	20,000,000	50,000,000
Reinsurance reserve		652,827	652,827
Accumulated losses		(21,777,357)	(30,572,826)
<b>Total equity</b>		<b>299,078,676</b>	<b>320,283,207</b>
<b>Liabilities</b>			
Provision for employees' end of service indemnity		10,632,032	10,401,343
Bank borrowings	7	57,559,077	47,343,293
Insurance and other payables		140,397,940	118,180,997
Outstanding claims reserve		153,792,589	192,617,171
Incurred but not reported claims reserve		62,181,171	50,581,753
Unearned premium reserve		273,197,893	266,320,166
Mathematical reserve		1,395,000	1,146,197
Unexpired risk reserve		699,998	118,641
Unallocated loss adjustment expense reserve		4,411,154	4,083,362
Deferred commission income		8,908,841	6,967,369
Lease liability		4,285,456	5,184,916
<b>Total liabilities</b>		<b>717,461,151</b>	<b>702,945,208</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,016,539,827</b>	<b>1,023,228,415</b>

The condensed interim financial statements were authorised for issue in accordance with a resolution of the Directors on 14 August 2021.

  
**Majid Abdulla Al San**  
**Chairman**

  
**Abdel Muhsen Jaber**  
**Director and CEO**

The notes from 1 to 15 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 2021**

	(Unaudited) Three months period ended 30 June 2021 AED	(Unaudited) Three months period ended 30 June 2020 AED	(Unaudited) Six months period ended 30 June 2021 AED	(Unaudited) Six months period ended 30 June 2020 AED
<b>UNDERWRITING INCOME</b>				
Gross premium	111,421,208	113,697,440	279,423,231	237,757,362
Less: reinsurance share of gross premium	(34,540,392)	(27,199,793)	(75,630,060)	(56,232,764)
Less: reinsurance share of ceded business premium	(9,172,776)	(3,469,272)	(11,912,006)	(5,990,887)
<b>Net retained premium</b>	<b>67,708,040</b>	<b>83,028,375</b>	<b>191,881,165</b>	<b>175,533,711</b>
Net change in unearned premium reserve	21,006,806	(4,996,092)	6,831,950	(18,051,789)
<b>Net insurance premium</b>	<b>88,714,846</b>	<b>78,032,283</b>	<b>198,713,115</b>	<b>157,481,922</b>
Commission earned	5,021,795	3,342,504	10,478,583	7,803,007
Commission incurred	(11,806,406)	(14,217,620)	(39,806,091)	(30,275,768)
Other operational income - net	(975,921)	58,430	13,255,206	6,060,596
<b>Gross underwriting income</b>	<b>80,954,314</b>	<b>67,215,597</b>	<b>182,640,813</b>	<b>141,069,757</b>
<b>UNDERWRITING EXPENSES</b>				
Gross claims paid	(106,903,165)	(49,388,460)	(220,932,440)	(139,733,370)
Insurance claims recovered from reinsurers	38,090,019	12,230,982	54,493,187	33,725,048
<b>Net claims paid</b>	<b>(68,813,146)</b>	<b>(37,157,478)</b>	<b>(166,439,253)</b>	<b>(106,008,322)</b>
Decrease/(increase) in provision for outstanding claims	36,432,038	(130,631,687)	38,824,553	(110,857,705)
(Decrease)/increase in reinsurer share of outstanding claims	(39,061,942)	128,578,357	(31,901,856)	126,887,288
Decrease/(increase) in unexpired risk reserve	17,306	(997,192)	(581,357)	(1,254,916)
(Increase)/decrease in incurred but not reported claims reserve	(4,111,796)	(171,654)	(8,042,001)	309,989
Decrease/(increase) in mathematical reserve	406	(586)	(673)	414
(Increase)/decrease in unallocated loss adjustment expense reserve	(303,861)	(346,208)	(327,792)	300,622
<b>Net claims incurred</b>	<b>(75,840,995)</b>	<b>(40,726,448)</b>	<b>(168,468,379)</b>	<b>(90,622,630)</b>
<b>UNDERWRITING INCOME</b>	<b>5,113,319</b>	<b>26,489,149</b>	<b>14,172,434</b>	<b>50,447,127</b>
<b>INVESTMENT INCOME</b>				
Net investments income/(loss)	36,204	(1,096,484)	(1,394,370)	(6,544,021)
Share of losses from equity accounted investees	(7,592,510)	(12,983,507)	(13,166,676)	(15,570,285)
General and administrative expenses	(10,341,883)	(9,556,394)	(19,280,919)	(18,913,273)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(12,784,870)</b>	<b>2,852,764</b>	<b>(19,669,531)</b>	<b>9,419,548</b>
Basic and diluted (loss)/earnings per share (note 11)	<b>(0.06)</b>	0.01	<b>(0.09)</b>	0.03

The notes from 1 to 15 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 2021**

	<b>(Unaudited)</b> <b>Three months</b> <b>period ended</b> <b>30 June 2021</b> <b>AED</b>	(Unaudited) Three months period ended 30 June 2020 AED	<b>(Unaudited)</b> <b>Six months</b> <b>period ended</b> <b>30 June 2021</b> <b>AED</b>	(Unaudited) Six months period ended 30 June 2020 AED
(Loss)/profit for the period	<b>(12,784,870)</b>	2,852,764	<b>(19,669,531)</b>	9,419,548
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE</b> <b>(LOSS)/INCOME FOR THE PERIOD</b>	<b>(12,784,870)</b>	2,852,764	<b>(19,669,531)</b>	9,419,548

The notes from 1 to 15 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 2021**

	Share capital AED	Statutory reserve AED	General reserve AED	Reinsurance reserve AED	Accumulated losses AED	Total equity AED
<b>Balance at 1 January 2021 (Audited)</b>	<b>230,000,000</b>	<b>70,203,206</b>	<b>50,000,000</b>	<b>652,827</b>	<b>(30,572,826)</b>	<b>320,283,207</b>
Loss for the period	-	-	-	-	(19,669,531)	(19,669,531)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(19,669,531)	(19,669,531)
Transfer from general reserve to retained earnings (note 9)	-	-	(30,000,000)	-	30,000,000	-
Directors' fees paid	-	-	-	-	(1,535,000)	(1,535,000)
<b>Balance at 30 June 2021 (Unaudited)</b>	<b>230,000,000</b>	<b>70,203,206</b>	<b>20,000,000</b>	<b>652,827</b>	<b>(21,777,357)</b>	<b>299,078,676</b>
Balance at 1 January 2020 (Audited)	230,000,000	69,628,437	100,000,000	-	(43,621,897)	356,006,540
Profit for the period	-	-	-	-	9,419,548	9,419,548
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	9,419,548	9,419,548
Transfer from general reserve to retained earnings (note 9)	-	-	(50,000,000)	-	50,000,000	-
Directors' fees paid	-	-	-	-	(1,495,000)	(1,495,000)
Balance at 30 June 2020 (Unaudited)	230,000,000	69,628,437	50,000,000	-	14,302,651	363,931,088

The notes from 1 to 15 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 2021**

	Notes	(Unaudited) Six months period ended 30 June 2021 AED	(Unaudited) Six months period ended 30 June 2020 AED
<b>OPERATING ACTIVITIES</b>			
(Loss)/profit for the period		(19,669,531)	9,419,548
<i>Adjustment for:</i>			
Net unrealised loss from investments in financial assets at FVTPL	5	236,940	3,727,603
Gain on disposal of investments in financial assets at FVTPL		(20,269)	-
Share of losses from equity accounted investees	4	13,166,676	15,570,285
Depreciation		1,635,898	1,638,657
Finance costs		559,377	1,603,268
Interest income		(2,399,928)	(3,264,384)
Dividend income	5	(299,353)	(176,212)
Loss on disposal of property and equipment		1,781	-
Provision for employees' end of service benefits		346,979	977,251
Interest on lease liability		102,945	139,324
		<u>(6,338,485)</u>	<u>29,635,340</u>
<i>Changes in operating assets and liabilities:</i>			
Insurance receivables		(12,956,116)	(15,883,938)
Reinsurer share of outstanding claims		31,901,857	(126,887,288)
Reinsurer share of incurred but not reported claims		(3,557,417)	3,958,789
Reinsurer share of unearned premium reserve		(14,213,887)	8,610,472
Reinsurer share of mathematical reserve		(248,130)	(166,103)
Deferred acquisition costs		(1,437,261)	(1,038,020)
Due from related parties		(812,524)	(400,448)
Other receivables and prepayments		(9,411,200)	6,034,858
Due to related parties		-	(684)
Insurance and other payables		22,216,943	241,857
Outstanding claims reserve		(38,824,582)	110,857,701
Incurred but not reported claims reserve		11,599,418	(4,268,778)
Unearned premium reserve		6,877,727	9,441,317
Mathematical reserve		248,803	165,689
Unexpired risk reserve		581,357	2,292,936
Unallocated loss adjustment expense reserve		327,792	(300,622)
Deferred commission income		1,941,472	-
		<u>(12,104,233)</u>	<u>22,293,078</u>
Employees' end of service benefits paid		(116,290)	(1,335,263)
Net cash (used in)/generated from operating activities		<u>(12,220,523)</u>	<u>20,957,815</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(228,466)	(66,184)
Addition in investment property	6	-	(19,526,253)
Net proceeds from sale of investment in financial assets at FVTPL		483,927	-
Dividends received		299,353	176,212
Interest received		2,399,928	3,264,384
Net cash generated from/(used in) investing activities		<u>2,954,742</u>	<u>(16,151,841)</u>
<b>FINANCING ACTIVITIES</b>			
Interest paid		(559,377)	(1,603,268)
Directors' fees paid		(1,535,000)	(1,495,000)
Payment of lease liability		(1,002,405)	(1,002,405)
Net cash used in financing activities		<u>(3,096,782)</u>	<u>(4,100,673)</u>
<b>Net change in cash and cash equivalents</b>		<u>(12,362,563)</u>	<u>705,301</u>
Cash and cash equivalents, beginning of period		154,342,476	121,415,599
<b>Cash and cash equivalents, end of period</b>	7	<u>141,979,913</u>	<u>122,120,900</u>

The notes from 1 to 15 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 2021

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### **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 Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

The Federal Decree-Law No. 25 of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organisation of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the CBUAE.

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 2021 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 2020. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

### **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 2020.

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 2020, are applicable on the Company but do not have any material impact on these condensed interim financial statements.

#### ***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.



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

Notes to the condensed interim financial statements  
For the period ended 30 June 2021

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**3 Significant accounting policies (continued)**

*Critical accounting estimates and judgments in applying accounting policies (continued)*

*Classification of investment property*

The Company makes judgement to determine whether the property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner-occupied property is not significant and is classified accordingly as investment property.

*Provision for legal cases*

Considerable judgement by management is required in the estimation for legal cases arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

*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**

	<b>(Unaudited)</b>	(Audited)
	<b>30 June 2021</b>	31 December 2020
	<b>AED</b>	AED
Green Air Technology L.L.C., UAE	<b>16,716</b>	16,716
Sogour Al Khaleej General Trading L.L.C., UAE	<b>150,000</b>	150,000
Al Sagr Cooperative Insurance Company	<b>122,512,961</b>	135,679,637
	<b><u>122,679,677</u></b>	<u>135,846,353</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 remaining 50% ownership is owned by the Parent Company.

Although, the Company holds 50% equity and the voting rights 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 2021**

**4 Investment in associates (continued)**

As at 30 June 2021, 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:

	<b>(Unaudited)</b> <b>30 June 2021</b> <b>AED</b>	(Audited) 31 December 2020 AED
Balance at the beginning	135,679,637	153,794,643
Company's share of net losses for the period / year	<b>(13,166,676)</b>	(18,115,006)
Balance at the end	<b>122,512,961</b>	135,679,637

**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:

	<b>(Unaudited)</b> <b>30 June 2021</b> <b>AED</b>	(Audited) 31 December 2020 AED
Investment in financial assets at FVTPL	<b>15,334,727</b>	16,035,325

Following is the movement of investments at FVTPL during the year:

	<b>(Unaudited)</b> <b>30 June 2021</b> <b>AED</b>	(Audited) 31 December 2020 AED
At the beginning of the period/year	16,035,325	19,621,417
Net disposals during the period/year	<b>(463,658)</b>	(144,721)
Decrease in fair value during the period/year	<b>(236,940)</b>	(3,441,371)
At the end of the period/year	<b>15,334,727</b>	16,035,325

All investments are held within U.A.E. except for investments at FVTPL amounting to AED 0.1 million (31 December 2020: AED 0.1 million). During the current period, the Company received dividend income of AED 299,353 (six-months period ended 30 June 2019: AED 176,212) on its investments in securities.

**6 Investment property**

	<b>(Unaudited)</b> <b>30 June 2021</b> <b>AED</b>	(Audited) 31 December 2020 AED
At the beginning of the period/year	157,931,895	130,955,617
Additions during the period/year	-	26,976,278
At the end of the period/year	<b>157,931,895</b>	157,931,895

Investment property is located in Al Barsha First, Dubai and currently is under development, having a carrying value of AED 158 million (31 December 2020: AED 158 million). 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.

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

**Notes to the condensed interim financial statements**  
**For the period ended 30 June 2021**

**7 Bank balances and cash**

	(Unaudited) 30 June 2021 AED	(Audited) 31 December 2020 AED
Cash in hand	144,503	97,399
<b>Bank balances:</b>		
Current accounts	1,542,756	2,319,718
Fixed deposits	197,885,712	199,302,633
Less: Expected credit losses	(33,981)	(33,981)
	<u>199,538,990</u>	<u>201,685,769</u>

Fixed deposits with banks as at 30 June 2021 include AED 10.3 million (31 December 2020: 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 including deposits of AED 129.36 million maturing after three months period. All the deposits carry interest rates between 1.4% to 3.25% per annum (31 December 2020: 1.1% to 3.25% per annum).

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

	(Unaudited) 30 June 2021 AED	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2020 AED
Bank balances and cash	199,538,990	202,714,160	201,685,769
Bank borrowings	(57,559,077)	(80,593,260)	(47,343,293)
Cash and cash equivalents	<u>141,979,913</u>	<u>122,120,900</u>	<u>154,342,476</u>

The Company has bank facilities in the form of overdrafts repayable upon demand and bearing interest ranging from 1.95% to 3.9% per annum (31 December 2020: 1.65% to 3.9%). These facilities are secured by lien on fixed deposits amounting to AED 132.5 million (31 December 2020: AED 132.5 million).

**8 Share capital**

	(Unaudited) 30 June 2021 AED	(Audited) 31 December 2020 AED
Issued and fully paid 230,000,000 shares of AED 1 each (31 December 2020: 230,000,000 share of AED 1 each)	<u>230,000,000</u>	<u>230,000,000</u>

**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 2020: AED 0.6 million).

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

**Notes to the condensed interim financial statements**  
**For the period ended 30 June 2021**

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**9 Reserves (continued)**

*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 2020: Nil). On recommendation of Board of Directors, Shareholders have approved, in annual general meeting held on 24 April 2021, transfer of AED 30 million from general reserves to retained earnings.

*Reinsurance reserve*

In accordance with Insurance Authority's Board of Directors' Decision No. 23, Article 34, an amount of AED 0.7 million was transferred from retained earnings to reinsurance reserve during the year ended 31 December 2020. The reserve is not available for distribution, and will not be disposed of without prior approval from Insurance Authority.

**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*

	<b>(Unaudited)</b> <b>Six months</b> <b>period ended</b> <b>30 June 2021</b> <b>AED</b>	<b>(Unaudited)</b> <b>Six months</b> <b>period ended</b> <b>30 June 2020</b> <b>AED</b>
<i>Entities under common control</i>		
Gross premiums	2,088,735	1,645,166
Claims paid	(392,218)	(595,393)
<i>Key managerial personnel remuneration</i>		
Salaries and benefits	1,453,447	(1,246,770)
<i>Related parties' balances</i>		
	<b>(Unaudited)</b> <b>30 June</b> <b>2021</b> <b>AED</b>	<b>(Audited)</b> <b>31 December</b> <b>2020</b> <b>AED</b>
<b>Due from related parties</b>		
Entities under common control	104,773,884	104,397,726
Due from shareholders	2,434,992	1,998,626
	<u>107,208,876</u>	<u>106,396,352</u>
Less: Expected credit losses	(91,307,680)	(91,307,680)
	<u>15,901,196</u>	<u>15,088,672</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 2021**

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**11 Basic and diluted (loss)/earnings per share**

Basic (loss)/earnings per share are calculated by dividing the (loss)/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)	
	2021	2020	2021	2020
(Loss)/profit for the period (AED)	<b>(12,784,870)</b>	2,852,764	<b>(19,669,531)</b>	9,419,548
Directors' fee paid (AED)	-	-	<b>(1,535,000)</b>	(1,495,000)
Profit for the period attributable to shareholders (AED)	<b>(12,784,870)</b>	2,852,764	<b>(21,204,531)</b>	7,924,548
Weighted average number of shares outstanding during the period	<b>230,000,000</b>	230,000,000	<b>230,000,000</b>	230,000,000
(Loss)/earnings per share (AED)	<b>(0.06)</b>	0.01	<b>(0.09)</b>	0.03

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

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**12 Segmental information**

	General insurance		Life assurance		Total	
	(Unaudited) 30 June 2021 AED	(Audited) 31 December 2020 AED	(Unaudited) 30 June 2021 AED	(Audited) 31 December 2020 AED	(Unaudited) 30 June 2021 AED	(Audited) 31 December 2020 AED
<b>ASSETS</b>						
Property and equipment	84,401,030	85,804,375	88,007	93,875	84,489,037	85,898,250
Investment in associates	122,679,677	135,846,353	-	-	122,679,677	135,846,353
Investment in financial assets at FVTPL	15,334,727	16,035,325	-	-	15,334,727	16,035,325
Investment property	157,931,895	157,931,895	-	-	157,931,895	157,931,895
Insurance receivables	158,153,176	144,571,454	502,468	1,128,074	158,655,644	145,699,528
Reinsurer share of outstanding claims	113,194,707	145,290,732	3,782,826	3,588,658	116,977,533	148,879,390
Reinsurer share of incurred but not reported claims	19,390,748	15,406,964	203,258	629,625	19,594,006	16,036,589
Reinsurer share of unearned premium reserve	68,740,158	53,452,934	463,134	1,536,471	69,203,292	54,989,405
Reinsurer share of mathematical reserve	-	-	1,386,000	1,137,870	1,386,000	1,137,870
Deferred acquisition costs	38,751,874	37,198,583	24,333	140,363	38,776,207	37,338,946
Due from related parties	15,852,318	15,058,126	48,878	30,546	15,901,196	15,088,672
Other receivables and prepayments	16,071,623	6,660,423	-	-	16,071,623	6,660,423
Bank balances and cash	191,038,990	193,185,769	8,500,000	8,500,000	199,538,990	201,685,769
<b>Total assets</b>	<b>1,001,540,923</b>	<b>1,006,442,933</b>	<b>14,998,904</b>	<b>16,785,482</b>	<b>1,016,539,827</b>	<b>1,023,228,415</b>
<b>LIABILITIES</b>						
Provision for employees' end of service indemnity	10,366,644	10,146,995	265,388	254,348	10,632,032	10,401,343
Bank borrowings	57,559,077	47,343,293	-	-	57,559,077	47,343,293
Insurance and other payables	140,212,142	110,726,347	185,798	7,454,650	140,397,940	118,180,997
Outstanding claims reserve	149,575,308	188,613,216	4,217,281	4,003,955	153,792,589	192,617,171
Incurred but not reported claims reserve	61,953,181	49,888,519	227,990	693,234	62,181,171	50,581,753
Unearned premium reserve	272,696,538	264,679,662	501,355	1,640,504	273,197,893	266,320,166
Mathematical reserve	-	-	1,395,000	1,146,197	1,395,000	1,146,197
Unexpired risk reserve	455,101	-	244,897	118,641	699,998	118,641
Unallocated loss adjustment expense reserve	4,294,322	3,948,601	116,832	134,761	4,411,154	4,083,362
Deferred commission income	8,908,229	6,961,698	612	5,671	8,908,841	6,967,369
Lease liability	4,285,456	5,184,916	-	-	4,285,456	5,184,916
<b>Total liabilities</b>	<b>710,305,998</b>	<b>687,493,247</b>	<b>7,155,153</b>	<b>15,451,961</b>	<b>717,461,151</b>	<b>702,945,208</b>

**Al-Sagr National Insurance Company (PSC)**  
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**12 Segmental information (continued)**

	General insurance		Life assurance		Total	
	(Unaudited) 30 June 2021 AED	(Unaudited) 30 June 2020 AED	(Unaudited) 30 June 2021 AED	(Unaudited) 30 June 2020 AED	(Unaudited) 30 June 2021 AED	(Unaudited) 30 June 2020 AED
<b>For the six months period ended</b>						
<b>Underwriting income</b>						
Gross premium	278,651,011	232,623,121	772,220	5,134,241	279,423,231	237,757,362
Less: reinsurance share of gross premium	(75,060,755)	(51,592,941)	(569,305)	(4,639,823)	(75,630,060)	(56,232,764)
Less: reinsurance share of ceded business premium	(11,912,006)	(5,990,887)	-	-	(11,912,006)	(5,990,887)
<b>Net retained premium</b>	<b>191,678,250</b>	<b>175,039,293</b>	<b>202,915</b>	<b>494,418</b>	<b>191,881,165</b>	<b>175,533,711</b>
Net change in unearned premium reserve	6,877,109	(17,976,776)	(45,159)	(75,013)	6,831,950	(18,051,789)
<b>Net insurance premium</b>	<b>198,555,359</b>	<b>157,062,517</b>	<b>157,756</b>	<b>419,405</b>	<b>198,713,115</b>	<b>157,481,922</b>
Commission earned	10,477,547	7,801,378	1,036	1,629	10,478,583	7,803,007
Commission incurred	(39,799,213)	(29,820,286)	(6,878)	(455,482)	(39,806,091)	(30,275,768)
Other operational income – net	13,121,128	4,452,128	134,078	1,608,468	13,255,206	6,060,596
<b>Gross underwriting income</b>	<b>182,354,821</b>	<b>139,495,737</b>	<b>285,992</b>	<b>1,574,020</b>	<b>182,640,813</b>	<b>141,069,757</b>
Gross claims paid	(220,311,478)	(139,732,969)	(620,962)	(401)	(220,932,440)	(139,733,370)
Insurance claims recovered from reinsurers	53,878,231	33,724,707	614,956	341	54,493,187	33,725,048
<b>Net claims paid</b>	<b>(166,433,247)</b>	<b>(106,008,262)</b>	<b>(6,006)</b>	<b>(60)</b>	<b>(166,439,253)</b>	<b>(106,008,322)</b>
Decrease/(increase) in provision for outstanding claims	39,037,880	(109,907,852)	(213,327)	(949,853)	38,824,553	(110,857,705)
(Decrease)/increase in reinsurer share of outstanding claims	(32,096,024)	125,986,353	194,168	900,935	(31,901,856)	126,887,288
Increase in unexpired risk reserve	(455,101)	(1,254,916)	(126,256)	-	(581,357)	(1,254,916)
(Increase)/decrease in incurred but not reported claims reserve	(8,080,878)	341,486	38,877	(31,497)	(8,042,001)	309,989
(Increase)/decrease in mathematical reserve	-	-	(673)	414	(673)	414
(Increase)/decrease in unallocated loss adjustment expense reserve	(345,721)	305,252	17,929	(4,630)	(327,792)	300,622
<b>Net claims incurred</b>	<b>(168,373,091)</b>	<b>(90,537,939)</b>	<b>(95,288)</b>	<b>(84,691)</b>	<b>(168,468,379)</b>	<b>(90,622,630)</b>
<b>Net underwriting income</b>	<b>13,981,730</b>	<b>48,957,798</b>	<b>190,704</b>	<b>1,489,329</b>	<b>14,172,434</b>	<b>50,447,127</b>
Net investments loss					(1,394,370)	(6,544,021)
Share of losses from equity accounted investees					(13,166,676)	(15,570,285)
General and administrative expenses*					(19,280,919)	(18,913,273)
<b>(Loss)/profit for the period</b>					<b>(19,669,531)</b>	<b>9,419,548</b>

\* General and administrative expenses amounting to AED 979,539 have been allocated to life assurance.

**Al-Sagr National Insurance Company (PSC)**  
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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	Level 2	Level 3	Total
	AED	AED	AED	AED
<b>30 June 2021 (Unaudited)</b>				
Investment in financial assets at FVTPL	<u>10,490,650</u>	-	<u>4,844,077</u>	<u>15,334,727</u>
<b>31 December 2020 (Audited)</b>				
Investment in financial assets at FVTPL	<u>11,131,248</u>	-	<u>4,904,077</u>	<u>16,035,325</u>

**14 Contingent liabilities and commitments**

	(Unaudited)	(Audited)
	30 June 2021	31 December 2020
	AED	AED
Letters of guarantee	<u>14,988,935</u>	<u>22,108,561</u>

**Contingent liabilities**

The Company in common with other insurance companies, is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Company in terms of an outflow of economic resources and are liable estimate of the amount of outflow can be made.

**15 Seasonality of results and impact of COVID-19**

The Company's investment income is dependent on market conditions, its investment activities and declaration of profits by investee companies, which are of a seasonal nature. Further, the Company is continuing to monitor the impact of COVID-19 on its financial performance. To date, there has been no significant impact identified on the credit risk or instances of default. Accordingly, results for the period ended 30 June 2021 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2021.