

Al-Sagr National Insurance Company (PSC)

Condensed interim financial statements (Unaudited)

For the period ended 30 September 2019

**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 of 30 September 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 Nine 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 September 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 November 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**

**Registration No: 86
Dubai, 12 November 2019**

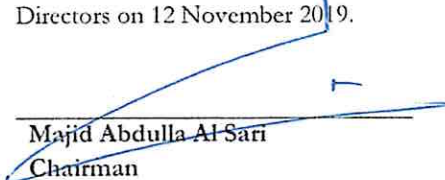



Al-Sagr National Insurance Company (PSC)
Condensed interim financial statements (Unaudited)

Condensed interim statement of financial position
As at 30 September 2019

	Notes	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
ASSETS			
Property and equipment	3	13,191,861	5,929,106
Investment in associates	4	158,681,846	163,892,043
Investment in financial assets at FVTPL	5	37,465,672	39,627,729
Investment properties	6	199,125,116	180,748,509
Insurance receivables		148,608,757	131,302,311
Reinsurer share of outstanding claims		35,219,642	46,570,210
Reinsurer share of incurred but not reported claims		18,677,000	15,561,000
Reinsurer share of unearned premium reserve		67,883,000	52,896,000
Due from related parties	10	97,060,819	98,907,512
Other receivables and prepayments		18,402,127	21,871,889
Cash and bank balances	7	218,891,146	213,704,881
TOTAL ASSETS		1,013,206,986	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		58,115,098	53,321,364
Total equity		457,545,272	452,751,538
Liabilities			
Due to related parties	10	80,047	78,590
Provision for employees' end of service indemnity		11,309,169	14,482,188
Bank borrowings	7	99,059,096	108,069,434
Insurance and other payables		109,715,168	100,353,285
Lease liability	3	7,398,314	-
Outstanding claims reserve		66,354,920	70,440,155
Incurred but not reported claims reserve		54,217,000	49,443,000
Unearned premium reserve		202,504,000	172,409,000
Unexpired risk reserve		1,024,000	630,000
Unallocated loss adjustment expense reserve		4,000,000	2,354,000
Total liabilities		555,661,714	518,259,652
TOTAL EQUITY AND LIABILITIES		1,013,206,986	971,011,190

The condensed interim financial statements were authorised for issue in accordance with a resolution of the Directors on 12 November 2019.


Majid Abdulla Al Sari
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 September 2019

	(Unaudited) Three months period ended 30 September 2019 AED	(Unaudited) Three months period ended 30 September 2018 AED	(Unaudited) Nine months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2018 AED
UNDERWRITING INCOME				
Gross premium	92,333,060	71,904,993	303,982,479	272,930,126
Less: reinsurance share of gross premium	(27,646,076)	(21,499,884)	(106,911,925)	(110,742,473)
Less: reinsurance share of ceded business premium	(1,596,044)	(819,615)	(3,072,738)	(1,732,801)
Net retained premium	63,090,940	49,585,494	193,997,816	160,454,852
Net change in unearned premium reserve	1,178,000	6,703,000	(15,108,000)	(1,732,000)
Net insurance premium	64,268,940	56,288,494	178,889,816	158,722,852
Commission earned	6,005,375	9,139,664	35,645,519	45,173,914
Commission incurred	(10,169,328)	(6,787,980)	(28,997,712)	(23,514,291)
Gross underwriting income	60,104,987	58,640,178	185,537,623	180,382,475
UNDERWRITING EXPENSES				
Gross claims paid	(62,271,483)	(63,399,701)	(175,887,413)	(208,736,951)
Insurance claims recovered from reinsurers	15,902,476	20,578,906	60,065,264	90,018,348
Net claims paid	(46,369,007)	(42,820,795)	(115,822,149)	(118,718,603)
Decrease in provision for outstanding claims	3,532,703	46,170,471	4,085,235	75,507,272
Increase/(decrease) in reinsurer share of outstanding claims	1,336,227	(42,199,234)	(11,350,568)	(75,589,156)
Decrease/(increase) in unexpired risk reserve	396,000	291,000	(394,000)	91,000
Increase in incurred but not reported claims reserve	(227,000)	(2,891,000)	(1,658,000)	(4,580,000)
Decrease/(increase) in unallocated loss adjustment expense reserve	81,000	629,000	(1,646,000)	314,000
Net claims incurred	(41,250,077)	(40,820,558)	(126,785,482)	(122,975,487)
UNDERWRITING INCOME	18,854,910	17,819,620	58,752,141	57,406,988
INVESTMENT INCOME				
Net investments (loss)/income	(163,372)	(1,445,466)	1,255,915	959,202
Share of (losses)/profits from equity accounted investees	(2,039,190)	753,287	(5,210,197)	1,820,650
General and administrative expenses	(10,914,378)	(11,487,977)	(36,582,280)	(34,990,538)
PROFIT FOR THE PERIOD	5,737,970	5,639,464	18,215,579	25,196,302
Basic and diluted earnings per share (AED)	0.02	0.02	0.08	0.11

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 September 2019

	(Unaudited) Three months period ended 30 September 2019 AED	(Unaudited) Three months period ended 30 September 2018 AED	(Unaudited) Nine months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2018 AED
Profit for the period	5,737,970	5,639,464	18,215,579	25,196,302
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,737,970	5,639,464	18,215,579	25,196,302

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

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

**Condensed interim statement of changes in equity
For the period ended 30 September 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	-	-	-	18,215,579	18,215,579
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	18,215,579	18,215,579
<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 September 2019 (Unaudited)	230,000,000	69,430,174	100,000,000	58,115,098	457,545,272
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	-	-	-	25,196,302	25,196,302
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	25,196,302	25,196,302
<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 September 2018 (Unaudited)	230,000,000	67,257,868	100,000,000	58,966,909	456,224,777

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 September 2019

	Notes	(Unaudited) Nine months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2018 AED
OPERATING ACTIVITIES			
Profit for the period		18,215,579	25,196,302
<i>Adjustment for:</i>			
Depreciation		2,474,693	1,095,345
Net unrealised loss from investments in financial assets at FVTPL	5	1,424,236	2,071,967
Gain on disposal of investments in financial assets at FVTPL		(83,443)	-
Interest income		(5,479,774)	(4,699,959)
Dividend income		(295,620)	(1,652,109)
Share of loss/(profit) from equity accounted investees	4	5,210,197	(1,820,650)
Provision for employees' end of service benefits		827,640	1,085,000
Finance costs		3,191,036	3,512,756
Interest on lease liability	3	257,102	-
		<u>25,741,646</u>	<u>24,788,652</u>
<i>Changes in operating assets and liabilities:</i>			
Insurance receivables		(17,306,446)	(25,070,817)
Reinsurer share of outstanding claims		11,350,568	75,589,156
Reinsurer share of incurred but not reported claims		(3,116,000)	2,422,000
Reinsurer share of unearned premium reserve		(14,987,000)	(7,650,000)
Due from related parties		1,846,693	(1,819,640)
Other receivables and prepayments		3,057,663	(4,079,764)
Due to related parties		1,457	(13,210)
Insurance and other payables		9,361,883	(23,634,368)
Outstanding claims reserve		(4,085,235)	(75,507,272)
Incurred but not reported claims reserve		4,774,000	2,158,000
Unearned premium reserve		30,095,000	9,382,000
Unexpired risk reserve		394,000	(91,000)
Unallocated loss adjustment expense reserve		1,646,000	(314,000)
		<u>48,774,229</u>	<u>(23,840,263)</u>
Employees' end of service benefits paid		(4,000,659)	(859,176)
Net cash generated from/(used in) operating activities		<u>44,773,570</u>	<u>(24,699,439)</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(852,968)	(648,682)
Addition in investment properties	6	(18,376,607)	(7,214,511)
Net proceeds from sale of investment in financial assets at FVTPL		821,264	1,999,528
Net proceeds from assets held for sale		-	1,693,322
Dividends received from equity accounted investees		-	3,675,000
Dividends received		295,620	1,652,109
Interest received		5,479,774	4,699,959
Net cash (used in)/generated from investing activities		<u>(12,632,917)</u>	<u>5,856,725</u>
FINANCING ACTIVITIES			
Interest paid		(3,191,036)	(3,512,756)
Dividend paid	15	(11,500,000)	(11,500,000)
Directors fees paid		(1,750,000)	(2,000,000)
Payment of lease liability	3	(1,503,014)	-
Net cash used in financing activities		<u>(17,944,050)</u>	<u>(17,012,756)</u>
Net change in cash and cash equivalents		14,196,603	(35,855,470)
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>119,832,050</u>	<u>77,937,415</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 September 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 nine months period ended 30 September 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 September 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 as if the standard had been applied since the commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The impact arising from the implementation of this standard in these financial statements is as follows:

	(Unaudited)
	30 September
	2019
	AED
Property and equipment	
Property and equipment	5,639,991
Right to use – land and building	7,551,870
	<u>13,191,861</u>
Right-to-use asset	
Balance as at 1 January 2019 (Unaudited)	8,884,480
Depreciation charge for the period	<u>(1,332,610)</u>
Balance as at 30 September 2019 (Unaudited)	<u>7,551,870</u>
Lease liability	
Balance as at 1 January 2019 (Unaudited)	8,644,226
Lease payments made during the period	<u>(1,503,014)</u>
Interest on lease liability	257,102
Balance as at 30 September 2019 (Unaudited)	<u>7,398,314</u>
	(Unaudited)
	Nine months
	period ended
	30 September
	2019
	AED
Amounts recognised in the income statement	
General and administrative expenses	
Interest expense on lease liability	257,102
Depreciation of right-to-use asset	1,332,610
Reversal of rental expense	<u>(1,503,014)</u>
	<u>86,698</u>
	31 December
	2018
	AED
Impact on opening retained earnings	
Right-to-use assets	8,884,480
Lease liability	<u>(8,644,226)</u>
Reversal of prepayment	<u>(412,099)</u>
	<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 September 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 September 2019 AED	(Audited) 31 December 2018 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	158,515,130	163,725,327
	<u>158,681,846</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 September 2019

4 Investment in associates (continued)

As at 30 September 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 September 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	(5,210,197)	1,820,650
Dividend received during the period / year	-	(3,675,000)
Balance at the end	<u>158,515,130</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 September 2019 AED	(Audited) 31 December 2018 AED
Investment in quoted securities	20,563,621	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>37,465,672</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 1.4 million for the nine-month period ended 30 September 2019 (nine-month period ended 30 September 2018: net unrealised loss of AED 2.1 million). During the current period, Company received dividend income of AED 0.3 million (nine-month period- ended 30 September 2018: AED 1.7 million) on its investments in securities.

6 Investment properties

	(Unaudited) 30 September 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	18,376,607	11,695,200
Decrease in the fair value	-	(3,549,194)
At the end of the period/year	<u>199,125,116</u>	<u>180,748,509</u>

As at 30 September 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 76.8 million (31 December 2018: AED 76.5 million). The Company has assessed the fair value of the investment property as at 30 September 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 September 2019

6 Investment properties (continued)

Another property located in Al Barsha First, Dubai is currently under development, and has a carrying value of AED 122.4 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 September 2019 AED	(Audited) 31 December 2018 AED
Cash in hand	257,151	258,091
Bank balances:		
Current accounts	4,261,576	2,030,871
Fixed deposits	214,406,400	211,449,900
Less: Expected credit losses	(33,981)	(33,981)
	<u>218,891,146</u>	<u>213,704,881</u>

Fixed deposits with banks as at 30 September 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 3.8% per annum).

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

	(Unaudited) 30 September 2019 AED	(Unaudited) 30 September 2018 AED	(Audited) 31 December 2018 AED
Cash and bank balances	218,891,146	203,666,462	213,704,881
Bank borrowings	(99,059,096)	(125,729,047)	(108,069,434)
	<u>119,832,050</u>	<u>77,937,415</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 September 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

	Nine months period ended	
	30 September (Unaudited)	
	2019	2018
Gross premiums (AED)	3,927,929	5,546,815
Claims paid (AED)	2,000,080	1,477,584
<i>Key managerial personnel remuneration</i>		
Salaries and benefits (AED)	2,668,485	4,728,812

Related party balances

	(Unaudited)	(Audited)
	30 September 2019	31 December 2018
	AED	AED
Due from related parties		
Entities under common control	107,012,275	108,344,692
Due from shareholders	2,753,544	3,267,820
	109,765,819	111,612,512
Less: expected credit losses	(12,705,000)	(12,705,000)
	97,060,819	98,907,512
Due to related parties		
Entities under common control	80,047	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		Nine months period ended	
	30 September (Unaudited)		30 September (Unaudited)	
	2019	2018	2019	2018
Profit for the period (AED)	5,737,970	5,639,464	18,215,579	25,196,302
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)	0.02	0.02	0.08	0.11

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 September 2019 AED	(Audited) 31 December 2018 AED	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
ASSETS						
Property and equipment	13,080,743	5,806,492	111,118	122,614	13,191,861	5,929,106
Investment in associates	158,681,846	163,892,043	-	-	158,681,846	163,892,043
Investment in financial assets at FVTPL	37,465,672	39,627,729	-	-	37,465,672	39,627,729
Investment properties	199,125,116	180,748,509	-	-	199,125,116	180,748,509
Insurance receivables	143,771,473	130,123,687	4,837,284	1,178,624	148,608,757	131,302,311
Reinsurer share of outstanding claims	32,807,552	42,639,228	2,412,090	3,930,982	35,219,642	46,570,210
Reinsurer share of incurred but not reported claims	17,454,000	14,265,000	1,223,000	1,296,000	18,677,000	15,561,000
Reinsurer share of unearned premium reserve	63,162,000	49,627,000	4,721,000	3,269,000	67,883,000	52,896,000
Due from related parties	96,802,424	98,603,176	258,395	304,336	97,060,819	98,907,512
Other receivables and prepayments	18,402,127	21,871,889	-	-	18,402,127	21,871,889
Cash and bank balances	210,391,146	205,204,881	8,500,000	8,500,000	218,891,146	213,704,881
Total assets	991,144,099	952,409,634	22,062,087	18,601,556	1,013,206,986	971,011,190
LIABILITIES						
Due to related parties	60,265	78,590	19,782	-	80,047	78,590
Provision for employees' end of service indemnity	10,967,111	14,158,934	342,058	323,254	11,309,169	14,482,188
Bank borrowings	99,059,096	108,069,434	-	-	99,059,096	108,069,434
Insurance and other payables	103,484,186	97,993,605	6,230,982	2,359,680	109,715,168	100,353,285
Lease liability	7,398,314	-	-	-	7,398,314	-
Outstanding claims reserve	63,673,134	66,022,102	2,681,786	4,418,053	66,354,920	70,440,155
Incurred but not reported claims reserve	52,956,000	48,049,000	1,261,000	1,394,000	54,217,000	49,443,000
Unearned premium reserve	198,046,000	169,203,000	4,458,000	3,206,000	202,504,000	172,409,000
Unexpired risk reserve	480,000	330,000	544,000	300,000	1,024,000	630,000
Unallocated loss adjustment expense reserve	3,870,000	2,246,000	130,000	108,000	4,000,000	2,354,000
Total liabilities	539,994,106	506,150,665	15,667,608	12,108,987	555,661,714	518,259,652

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12 Segmental information (continued)

	General insurance		Life insurance		Total	
	(Unaudited) 30 September 2019 AED	(Unaudited) 30 September 2018 AED	(Unaudited) 30 September 2019 AED	(Unaudited) 30 September 2018 AED	(Unaudited) 30 September 2019 AED	(Unaudited) 30 September 2018 AED
For the nine months period ended						
Underwriting income						
Gross premium	294,803,336	262,035,511	9,179,143	10,894,615	303,982,479	272,930,126
Less: reinsurance share of gross premium	(97,968,096)	(100,303,849)	(8,943,829)	(10,438,624)	(106,911,925)	(110,742,473)
Less: reinsurance share of ceded premium	(3,072,738)	(1,732,801)	-	-	(3,072,738)	(1,732,801)
Net retained premium	193,762,502	159,998,861	235,314	455,991	193,997,816	160,454,852
Net change in unearned premium reserve	(15,308,000)	(1,848,000)	200,000	116,000	(15,108,000)	(1,732,000)
Net insurance premium	178,454,502	158,150,861	435,314	571,991	178,889,816	158,722,852
Commission earned	31,243,902	40,010,345	4,401,617	5,163,569	35,645,519	45,173,914
Commission incurred	(28,173,662)	(22,623,087)	(824,050)	(891,204)	(28,997,712)	(23,514,291)
Net underwriting income	181,524,742	175,538,119	4,012,881	4,844,356	185,537,623	180,382,475
Gross claims paid	(173,522,379)	(207,656,173)	(2,365,034)	(1,080,778)	(175,887,413)	(208,736,951)
Insurance claims recovered from reinsurers	57,962,625	89,103,664	2,102,639	914,684	60,065,264	90,018,348
Net claims paid	(115,559,754)	(118,552,509)	(262,395)	(166,094)	(115,822,149)	(118,718,603)
Decrease in provision for outstanding claims	2,348,968	77,391,831	1,736,267	(1,884,559)	4,085,235	75,507,272
Decrease in reinsurer share of outstanding claims						
(Increase) / decrease in unexpired risk reserve	(9,831,676)	(77,283,904)	(1,518,892)	1,694,748	(11,350,568)	(75,589,156)
(Increase) / decrease in incurred but not reported claims reserve	(150,000)	316,000	(244,000)	(225,000)	(394,000)	91,000
(Increase) / decrease in unallocated loss adjustment expense reserve	(1,718,000)	(4,543,000)	60,000	(37,000)	(1,658,000)	(4,580,000)
Net claims incurred	(1,624,000)	338,000	(22,000)	(24,000)	(1,646,000)	314,000
Net claims incurred	(126,534,462)	(122,333,582)	(251,020)	(641,905)	(126,785,482)	(122,975,487)
Net underwriting profit	54,990,280	53,204,537	3,761,861	4,202,451	58,752,141	57,406,988
Net investments income/(loss)					1,255,915	959,202
Share of (losses)/profits from equity accounted investees					(5,210,197)	1,820,650
General and administrative expenses					(36,582,280)	(34,990,538)
Profit for the period					18,215,579	25,196,302

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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 September 2019 (Unaudited)				
Investment in financial assets at FVTPL	<u>20,563,621</u>	-	<u>16,902,051</u>	<u>37,465,672</u>
31 December 2018 (Audited)				
Investment in financial assets at FVTPL	<u>22,425,678</u>	-	<u>17,202,051</u>	<u>39,627,729</u>

14 Contingent liabilities and commitments

	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
Letters of guarantee	<u>17,734,961</u>	<u>18,073,809</u>

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 nine-month period ended 30 September 2018			
Net investment (loss)/income	(6,978,162)	7,937,364	959,202
General and administrative expenses	(27,053,174)	(7,937,364)	(34,990,538)
For the three-month period ended 30 September 2018			
Net investment (loss)/income	(3,800,639)	2,355,173	(1,445,466)
General and administrative expenses	(9,132,804)	(2,355,173)	(11,487,977)