

Al-Sagr National Insurance Company (PSC)

Condensed interim financial statements (Unaudited)

For the period ended 30 September 2020

**Grant Thornton
United Arab Emirates**
Rolex Tower
Level 23
Sheikh Zayed Road
P.O. Box 1620
Dubai

T +971 4 388 9925
F +971 4 388 9915

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 2020 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 months period then ended and explanatory notes. 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, 11 November 2020

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

Condensed interim statement of financial position
As at 30 September 2020

	Notes	(Unaudited) 30 September 2020 AED	(Audited) 31 December 2019 AED
ASSETS			
Property and equipment		86,689,957	88,512,633
Investment in associates	4	141,070,719	153,961,359
Investment in financial assets at FVTPL	5	15,508,929	19,621,417
Investment properties	6	157,927,175	130,955,617
Insurance receivables		135,635,803	132,038,020
Reinsurer share of outstanding claims		164,837,099	32,581,148
Reinsurer share of incurred but not reported claims		18,787,657	17,046,000
Reinsurer share of unearned premium reserve		53,136,799	65,507,000
Reinsurer share of mathematical reserve		1,255,169	1,180,000
Due from related parties	10	35,249,693	35,744,437
Other receivables and prepayments		6,997,936	16,570,570
Cash and bank balances	7	204,368,895	202,728,762
TOTAL ASSETS		1,021,465,831	896,446,963
EQUITY AND LIABILITIES			
Equity			
Share capital	8	230,000,000	230,000,000
Statutory reserve	9	69,628,437	69,628,437
General reserve	9	50,000,000	100,000,000
Retained earnings/(accumulated losses)		14,482,426	(43,621,897)
Total equity		364,110,863	356,006,540
Liabilities			
Due to related parties	10	-	79,274
Provision for employees' end of service indemnity		10,660,016	11,134,615
Bank borrowings	7	56,275,262	81,313,163
Insurance and other payables		106,218,069	107,393,631
Outstanding claims reserve		201,614,976	76,784,661
Incurred but not reported claims reserve		53,051,541	49,307,000
Unearned premium reserve		218,150,657	202,324,000
Mathematical reserve		1,246,541	1,190,000
Unallocated loss adjustment expense reserve		4,510,176	3,985,000
Lease liability		5,627,730	6,929,079
Total liabilities		657,354,968	540,440,423
TOTAL EQUITY AND LIABILITIES		1,021,465,831	896,446,963

The condensed interim financial statements were authorised for issue in accordance with a resolution of the Directors on 11 November 2020.


Majid Abdulla Al Sari
Chairman


Abdel Muhsen Jaber
Director and General Manager

The notes from 1 to 17 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 2020

	(Unaudited) Three months period ended 30 September 2020 AED	(Unaudited) Three months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2020 AED	(Unaudited) Nine months period ended 30 September 2019 AED
UNDERWRITING INCOME				
Gross premium	122,413,632	92,333,060	360,170,994	306,784,294
Less: reinsurance share of gross premium	(26,375,254)	(27,646,076)	(82,608,018)	(106,911,925)
Less: reinsurance share of ceded business premium	(2,939,825)	(1,596,044)	(8,930,712)	(3,072,738)
Net retained premium	93,098,553	63,090,940	268,632,264	196,799,631
Net change in unearned premium reserve	(10,145,069)	1,178,000	(28,196,858)	(15,108,000)
Net insurance premium	82,953,484	64,268,940	240,435,406	181,691,631
Commission earned	4,405,593	5,249,213	12,208,600	17,824,972
Commission incurred	(17,290,993)	(10,169,328)	(47,566,761)	(28,997,712)
Other operational income – net	3,500,357	756,162	9,560,953	15,018,732
Gross underwriting income	73,568,441	60,104,987	214,638,198	185,537,623
UNDERWRITING EXPENSES				
Gross claims paid	(68,036,470)	(62,271,483)	(207,769,840)	(175,887,413)
Insurance claims recovered from reinsurers	14,413,450	15,902,476	48,138,498	60,065,264
Net claims paid	(53,623,020)	(46,369,007)	(159,631,342)	(115,822,149)
(Increase)/decrease in provision for outstanding claims	(13,972,614)	3,532,703	(124,830,319)	4,085,235
Increase/(decrease) in reinsurer share of outstanding claims	5,368,663	1,336,227	132,255,951	(11,350,568)
Decrease/(increase) in unexpired risk reserve	1,254,916	396,000	-	(394,000)
Increase in incurred but not reported claims reserve	(2,312,872)	(227,000)	(2,002,883)	(1,658,000)
Increase in mathematical reserve	18,215	-	18,629	-
(Increase)/decrease in unallocated loss adjustment expense reserve	(825,798)	81,000	(525,176)	(1,646,000)
Net claims incurred	(64,092,510)	(41,250,077)	(154,715,140)	(126,785,482)
UNDERWRITING INCOME	9,475,931	18,854,910	59,923,058	58,752,141
INVESTMENT INCOME				
Net investments loss	(2,118,075)	(2,346,248)	(8,662,096)	(6,060,541)
Share of profits/(losses) from equity accounted investees	2,679,645	(2,039,190)	(12,890,640)	(5,210,197)
General and administrative expenses	(9,857,726)	(8,731,502)	(28,770,999)	(29,265,824)
PROFIT FOR THE PERIOD	179,775	5,737,970	9,599,323	18,215,579
Basic and diluted earnings per share	0.001	0.025	0.042	0.079

The notes from 1 to 17 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 2020

	(Unaudited) Three months period ended 30 September 2020 AED	(Unaudited) Three months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2020 AED	(Unaudited) Nine months period ended 30 September 2019 AED
Profit for the period	179,775	5,737,970	9,599,323	18,215,579
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	179,775	5,737,970	9,599,323	18,215,579

The notes from 1 to 17 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 September 2020

	Share capital AED	Statutory reserve AED	General reserve AED	Retained earnings /(accumulated losses) AED	Total equity AED
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	-	-	-	9,599,323	9,599,323
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	9,599,323	9,599,323
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 September 2020 (Unaudited)	230,000,000	69,628,437	50,000,000	14,482,426	364,110,863
Balance at 1 January 2019 (Audited)	230,000,000	69,148,174	100,000,000	(34,694,261)	364,453,913
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
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	69,148,174	100,000,000	(29,728,682)	369,419,492

The notes from 1 to 17 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 2020

	Notes	(Unaudited) Nine months period ended 30 September 2020 AED	(Unaudited) Nine months period ended 30 September 2019 AED
OPERATING ACTIVITIES			
Profit for the period		9,599,323	18,215,579
<i>Adjustment for:</i>			
Depreciation		2,456,087	2,474,693
Net unrealised loss from investments in financial assets at FVTPL	5	4,112,488	1,424,236
Gain on disposal of investments in financial assets at FVTPL		-	(83,443)
Interest income		(4,424,329)	(5,479,774)
Dividend income		(176,212)	(295,620)
Share of losses from equity accounted investees	4	12,890,640	5,210,197
Provision for employees' end of service benefits		1,260,061	827,640
Finance costs		1,872,312	3,191,036
Interest on lease liability		202,259	257,102
		<u>27,792,629</u>	<u>25,741,646</u>
<i>Changes in operating assets and liabilities:</i>			
Insurance receivables		(3,597,783)	(17,306,446)
Reinsurer share of outstanding claims		(132,255,951)	11,350,568
Reinsurer share of incurred but not reported claims		(1,741,657)	(3,116,000)
Reinsurer share of unearned premium reserve		12,370,201	(14,987,000)
Reinsurer share of mathematical reserve		(75,169)	-
Due from related parties		494,744	1,846,693
Other receivables and prepayments		9,572,634	3,057,663
Due to related parties		(79,274)	1,457
Insurance and other payables		(1,175,562)	9,361,883
Outstanding claims reserve		124,830,315	(4,085,235)
Incurred but not reported claims reserve		3,744,541	4,774,000
Unearned premium reserve		15,826,657	30,095,000
Mathematical reserve		56,541	-
Unexpired risk reserve		-	394,000
Unallocated loss adjustment expense reserve		525,176	1,646,000
		<u>56,288,042</u>	<u>48,774,229</u>
Employees' end of service benefits paid		(1,734,660)	(4,000,659)
Net cash generated from operating activities		<u>54,553,382</u>	<u>44,773,570</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(633,411)	(852,968)
Addition in investment properties	6	(26,971,558)	(18,376,607)
Net proceeds from sale of investment in financial assets at FVTPL		-	821,264
Dividends received		176,212	295,620
Interest received		4,424,329	5,479,774
Net cash used in investing activities		<u>(23,004,428)</u>	<u>(12,632,917)</u>
FINANCING ACTIVITIES			
Interest paid		(1,872,312)	(3,191,036)
Dividend paid	15	-	(11,500,000)
Directors fees paid		(1,495,000)	(1,750,000)
Payment of lease liability		(1,503,608)	(1,503,014)
Net cash used in financing activities		<u>(4,870,920)</u>	<u>(17,944,050)</u>
Net change in cash and cash equivalents		<u>26,678,034</u>	<u>14,196,603</u>
Cash and cash equivalents, beginning of period		<u>121,415,599</u>	<u>105,635,447</u>
Cash and cash equivalents, end of period	7	<u><u>148,093,633</u></u>	<u><u>119,832,050</u></u>

The notes from 1 to 17 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 2020

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 2020 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 2019. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 2019.

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 2019, 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.

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.

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

Notes to the condensed interim financial statements
For the period ended 30 September 2020

3 Significant accounting policies (continued)

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

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 2020 AED	(Audited) 31 December 2019 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	140,904,003	153,794,643
	<u>141,070,719</u>	<u>153,961,359</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.

As at 30 September 2020, 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 2020 AED	(Audited) 31 December 2019 AED
Balance at the beginning	153,794,643	163,725,327
Company's share of net losses for the period/year	(12,890,640)	(9,930,684)
Balance at the end	<u>140,904,003</u>	<u>153,794,643</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 2020

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 2020 AED	(Audited) 31 December 2019 AED
Investment in financial assets at FVTPL	<u>15,508,929</u>	<u>19,621,417</u>

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

	(Unaudited) 30 September 2020 AED	(Audited) 31 December 2019 AED
At the beginning of the period/year	19,621,417	28,221,755
Disposal during the period/year	-	(737,821)
Decrease in fair value during the period/year	<u>(4,112,488)</u>	<u>(7,862,517)</u>
At the end of the period/year	<u>15,508,929</u>	<u>19,621,417</u>

The revaluation of investment securities resulted in net unrealised loss of AED 4 million for the nine-months period ended 30 September 2020 (nine-months period ended 30 September 2019: net unrealised loss of AED 1.4 million). During the current period, Company received dividend income of AED 0.2 million (nine-months period ended 30 September 2019: AED 0.3 million) on its investments in securities.

6 Investment properties

	(Unaudited) 30 September 2020 AED	(Audited) 31 December 2019 AED
At the beginning of the period/year	130,955,617	180,748,509
Additions during the period/year	26,971,558	26,957,914
Transferred to property and equipment	-	(76,750,806)
At the end of the period/year	<u>157,927,175</u>	<u>130,955,617</u>

During the year 2019, the Company transferred one land included in the investment properties to property and equipment as the Company's Board of Directors has resolved to construct the Company's head office on this land in the foreseeable future. This property is located in Dubai and the carrying value of the property at the date of transfer is AED 76.75 million. The Company has assessed the fair value of the investment property at date of transfer and the fair value of investment property is not significantly different from its carrying value.

Another property located in Al Barsha First, Dubai is currently under development, and has a carrying value of AED 157.93 million (31 December 2019: AED 130.96 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.

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

Notes to the condensed interim financial statements
For the period ended 30 September 2020

7 Cash and cash equivalents

	(Unaudited) 30 September 2020 AED	(Audited) 31 December 2019 AED
Cash in hand	180,548	180,689
Bank balances:		
Current accounts	7,363,428	3,362,818
Fixed deposits	196,858,900	199,219,236
Less: Expected credit losses	(33,981)	(33,981)
	<u>204,368,895</u>	<u>202,728,762</u>

Fixed deposits with banks as at 30 September 2020 include AED 10.3 million (31 December 2019: 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 84 million maturing after three months period. All the deposits carry interest rates between 1.1% to 3.5% per annum (31 December 2019: 3% to 3.6% per annum).

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

	(Unaudited) 30 September 2020 AED	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2019 AED
Cash and bank balances	204,368,895	218,891,146	202,728,762
Bank borrowings	(56,275,262)	(99,059,096)	(81,313,163)
	<u>148,093,633</u>	<u>119,832,050</u>	<u>121,415,599</u>

The Company has bank facilities in the form of overdrafts repayable upon demand and bearing interest ranging from 1.65% to 4.5% per annum (31 December 2019: 3.65% to 4.5%). These facilities are secured by lien on fixed deposits amounting to AED 152.2 million (31 December 2019: AED 183.6 million).

8 Share capital

	(Unaudited) 30 September 2020 AED	(Audited) 31 December 2019 AED
Issued and fully paid 230,000,000 shares of AED 1 each (31 December 2019: 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 2019: AED 0.5 million).

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

Notes to the condensed interim financial statements
For the period ended 30 September 2020

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 2019: Nil). On recommendation of Board of Directors, Shareholders have approved, in annual general meeting held on 15 April 2020, transfer of AED 50 million from general reserves to retained earnings.

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) Nine months period ended 30 September 2020 AED	(Unaudited) Nine months period ended 30 September 2019 AED
Gross premiums	2,859,867	3,927,929
Claims paid	(1,810,093)	2,000,080
<i>Key managerial personnel remuneration</i>		
Salaries and benefits	<u>1,919,955</u>	<u>2,668,485</u>

Related party balances

	(Unaudited) 30 September 2020 AED	(Audited) 31 December 2019 AED
Due from related parties		
Entities under common control	104,527,211	103,890,705
Due from shareholders	<u>2,030,162</u>	<u>3,161,412</u>
	106,557,373	107,052,117
Less: expected credit losses	<u>(71,307,680)</u>	<u>(71,307,680)</u>
	<u>35,249,693</u>	<u>35,744,437</u>
Due to related parties		
Entities under common control	<u>-</u>	<u>79,274</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 2020

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)	
	2020	2019	2020	2019
Profit for the period (AED)	179,775	5,737,970	9,599,323	18,215,579
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)	0.001	0.025	0.042	0.079

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.

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

Notes to the condensed interim financial statements
For the period ended 30 September 2020

12 Segmental information (continued)

	General insurance		Life assurance		Total	
	(Unaudited) 30 September 2020	(Audited) 31 December 2019	(Unaudited) 30 September 2020	(Audited) 31 December 2019	(Unaudited) 30 September 2020	(Audited) 31 December 2019
	AED	AED	AED	AED	AED	AED
ASSETS						
Property and equipment	86,592,730	88,405,347	97,227	107,286	86,689,957	88,512,633
Investment in associates	141,070,719	153,961,359	-	-	141,070,719	153,961,359
Investment in financial assets at FVTPL	15,508,929	19,621,417	-	-	15,508,929	19,621,417
Investment properties	157,927,175	130,955,617	-	-	157,927,175	130,955,617
Insurance receivables	132,349,873	128,638,765	3,285,930	3,399,255	135,635,803	132,038,020
Reinsurer share of outstanding claims	161,736,841	30,175,883	3,100,258	2,405,265	164,837,099	32,581,148
Reinsurer share of incurred but not reported claims	18,238,516	16,145,000	549,141	901,000	18,787,657	17,046,000
Reinsurer share of unearned premium reserve	50,486,890	62,852,000	2,649,909	2,655,000	53,136,799	65,507,000
Reinsurer share of mathematical reserve	-	-	1,255,169	1,180,000	1,255,169	1,180,000
Due from related parties	35,243,955	35,458,516	5,738	285,921	35,249,693	35,744,437
Other receivables and prepayments	6,997,936	16,570,570	-	-	6,997,936	16,570,570
Cash and bank balances	195,868,895	194,228,762	8,500,000	8,500,000	204,368,895	202,728,762
Total assets	1,002,022,459	877,013,236	19,443,372	19,433,727	1,021,465,831	896,446,963
LIABILITIES						
Due to related parties	-	52,708	-	26,566	-	79,274
Provision for employees' end of service indemnity	10,439,832	11,134,615	220,184	-	10,660,016	11,134,615
Bank borrowings	56,275,262	81,313,163	-	-	56,275,262	81,313,163
Insurance and other payables	99,967,362	102,623,490	6,250,707	4,770,141	106,218,069	107,393,631
Outstanding claims reserve	198,200,508	74,110,905	3,414,468	2,673,756	201,614,976	76,784,661
Incurred but not reported claims reserve	52,432,786	48,350,000	618,755	957,000	53,051,541	49,307,000
Unearned premium reserve	215,583,662	199,781,000	2,566,995	2,543,000	218,150,657	202,324,000
Mathematical reserve	-	-	1,246,541	1,190,000	1,246,541	1,190,000
Unallocated loss adjustment expense reserve	4,393,877	3,870,000	116,299	115,000	4,510,176	3,985,000
Lease liability	5,627,730	6,929,079	-	-	5,627,730	6,929,079
Total liabilities	642,921,019	528,164,960	14,433,949	12,275,463	657,354,968	540,440,423

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

Notes to the condensed interim financial statements
For the period ended 30 September 2020

12 Segmental information (continued)

	General insurance		Life assurance		Total	
	(Unaudited) 30 September 2020	(Unaudited) 30 September 2019	(Unaudited) 30 September 2020	(Unaudited) 30 September 2019	(Unaudited) 30 September 2020	(Unaudited) 30 September 2019
For the nine months period ended	AED	AED	AED	AED	AED	AED
Underwriting income						
Gross premium	354,723,827	297,605,151	5,447,167	9,179,143	360,170,994	306,784,294
Less: reinsurance share of gross premium	(77,677,375)	(97,968,096)	(4,930,643)	(8,943,829)	(82,608,018)	(106,911,925)
Less: reinsurance share of ceded premium	(8,930,712)	(3,072,738)	-	-	(8,930,712)	(3,072,738)
Net retained premium	268,115,740	196,564,317	516,524	235,314	268,632,264	196,799,631
Net change in unearned premium reserve	(28,167,772)	(15,308,000)	(29,086)	200,000	(28,196,858)	(15,108,000)
Net insurance premium	239,947,968	181,256,317	487,438	435,314	240,435,406	181,691,631
Commission earned	12,194,881	13,423,355	13,719	4,401,617	12,208,600	17,824,972
Commission incurred	(47,103,947)	(28,173,662)	(462,814)	(824,050)	(47,566,761)	(28,997,712)
Other operational income - net	7,907,022	15,018,732	1,653,931	-	9,560,953	15,018,732
Net underwriting income	212,945,924	181,524,742	1,692,274	4,012,881	214,638,198	185,537,623
Gross claims paid	(207,568,372)	(173,522,379)	(201,468)	(2,365,034)	(207,769,840)	(175,887,413)
Insurance claims recovered from reinsurers	47,951,437	57,962,625	187,061	2,102,639	48,138,498	60,065,264
Net claims paid	(159,616,935)	(115,559,754)	(14,407)	(262,395)	(159,631,342)	(115,822,149)
(Increase)/decrease in provision for outstanding claims	(124,089,607)	2,348,968	(740,712)	1,736,267	(124,830,319)	4,085,235
Increase/(decrease) in reinsurer share of outstanding claims	131,560,958	(9,831,676)	694,993	(1,518,892)	132,255,951	(11,350,568)
Increase in unexpired risk reserve	-	(150,000)	-	(244,000)	-	(394,000)
(Increase)/decrease in IBNR reserve	(1,989,269)	(1,718,000)	(13,614)	60,000	(2,002,883)	(1,658,000)
Increase in mathematical reserve	-	-	18,629	-	18,629	-
Increase in ULAE	(523,877)	(1,624,000)	(1,299)	(22,000)	(525,176)	(1,646,000)
Net claims incurred	(154,658,730)	(126,534,462)	(56,410)	(251,020)	(154,715,140)	(126,785,482)
Net underwriting income	58,287,194	54,990,280	1,635,864	3,761,861	59,923,058	58,752,141
Net investments loss					(8,662,096)	(6,060,541)
Share of losses from equity accounted investees					(12,890,640)	(5,210,197)
General and administrative expenses					(28,770,999)	(29,265,824)
Profit for the period					9,599,323	18,215,579

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

Notes to the condensed interim financial statements
For the period ended 30 September 2020

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 2020 (Unaudited)				
Investment in financial assets at FVTPL	10,012,852	-	5,496,077	15,508,929
31 December 2019 (Audited)				
Investment in financial assets at FVTPL	14,125,340	-	5,496,077	19,621,417

14 Contingent liabilities and commitments

	(Unaudited) 30 September 2020 AED	(Audited) 31 December 2019 AED
Letters of guarantee	19,470,813	17,943,808

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 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 and paid during the year ended 31 December 2019. No dividend was proposed and approved for the year ended 31 December 2019.

16 Seasonality of results and events effecting the operations

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 September 2020 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 2020.

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

Notes to the condensed interim financial statements
For the period ended 30 September 2020

17 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.

<u>For the three-months period ended</u> <u>30 September 2019</u>	Previously reported AED	Reclassification AED	Reclassified AED
Gross premium	92,333,060	-	92,333,060
Commission earned	6,005,375	(756,162)	5,249,213
Other operational income - net	-	756,162	756,162
Net investments loss	(163,372)	(2,182,876)	(2,346,248)
General and administrative expenses	(10,914,378)	2,182,876	(8,731,502)

<u>For the nine-months period ended</u> <u>30 September 2019</u>	Previously reported AED	Reclassification AED	Reclassified AED
Gross premium	303,982,479	2,801,815	306,784,294
Commission earned	35,645,519	(17,820,547)	17,824,972
Other operational income - net	-	15,018,732	15,018,732
Net investments income/(loss)	1,255,915	(7,316,456)	(6,060,541)
General and administrative expenses	(36,582,280)	7,316,456	(29,265,824)