

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

Condensed consolidated interim financial
information
for the six-month period ended 30 June 2014

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Condensed consolidated interim financial information
for the six-month period ended 30 June 2014

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Independent auditors' report on review of condensed consolidated interim financial information

The Shareholders

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

Introduction

We have reviewed the accompanying 30 June 2014 condensed consolidated interim financial information of Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary (the "Group"), consisting of:

- the condensed consolidated interim statement of financial position as at 30 June 2014;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2014;
- the condensed consolidated interim statement of comprehensive income for the three-month and six-month periods ended 30 June 2014;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2014;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2014; and
- notes to the condensed consolidated interim financial information.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other Matter

The condensed consolidated interim financial information for the six-month period ended 30 June 2013 and the consolidated financial statements for the year ended 31 December 2013 were reviewed and audited respectively by another auditor who expressed an unmodified review conclusion on the condensed consolidated interim financial information for the six-month period ended 30 June 2013 on 11 August 2013 and an unmodified audit opinion on the consolidated financial statements for the year ended 31 December 2013 on 25 March 2014.

KPMG Lower Gulf Limited

Muhammad Tariq

Registration No: 793

Date: 12 AUG 2014

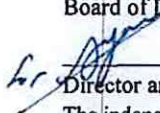
Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

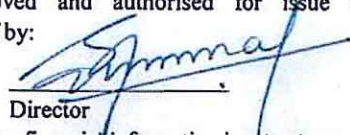
Condensed consolidated interim statement of financial position as at 30 June 2014

	Note	30 June 2014 AED (Unaudited)	31 December 2013 AED (Audited)
ASSETS			
Property and equipment		8,378,793	5,701,454
Investment properties	6	170,000,000	170,000,000
Investment in financial assets	7	264,519,518	204,649,491
Reinsurance contract assets	10	190,761,235	157,010,552
Insurance and other receivables		274,726,657	229,346,719
Due from related parties	15	155,907,323	159,452,762
Cash and bank balances	11	334,037,328	335,968,453
TOTAL ASSETS		1,398,330,854	1,262,129,431
EQUITY AND LIABILITIES			
Equity			
Share capital	12	230,000,000	230,000,000
Statutory reserve		57,505,110	57,505,110
General reserve		200,000,000	200,000,000
Investments revaluation reserve		(1,298,925)	(1,298,925)
Retained earnings		203,774,640	136,915,271
Equity attributable to shareholders of the Company		689,980,825	623,121,456
Non-controlling interests		882,890	1,282,199
Total equity		690,863,715	624,403,655
Liabilities			
Due to related parties	15	1,797,400	419,174
Provision for employees' end of service indemnity		12,508,104	11,060,017
Insurance contract liabilities	10	338,778,709	293,348,157
Bank borrowings		248,723,868	235,458,953
Insurance and other payables		105,659,058	97,439,475
Total liabilities		707,467,139	637,725,776
Total equity and liabilities		1,398,330,854	1,262,129,431

The notes on pages 8 to 22 form an integral part of these condensed consolidated interim financial information.

These condensed consolidated financial information were approved and authorised for issue by the Board of Directors on 12 AUG 2014 and signed on their behalf by:


Director and CEO


Director

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

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

Condensed consolidated interim statement of profit or loss for the six-month period ended 30 June 2014

	Three-month period ended 30 June 2014 AED (Un-audited)	Three-month period ended 30 June 2013 AED (Un-audited)	Six-month period ended 30 June 2014 AED (Un-audited)	Six-month period ended 30 June 2013 AED (Un-audited)
UNDERWRITING RESULTS				
Underwriting income				
Gross insurance premium	90,542,076	97,271,070	210,452,584	242,870,930
Less: insurance premium ceded to reinsurers	(32,099,761)	(33,441,117)	(91,144,705)	(98,116,443)
Net retained premium	58,442,315	63,829,953	119,307,879	144,754,487
Net change in unearned premium reserve	(6,311,162)	(8,531,898)	(11,726,085)	(22,185,200)
Net premium earned	52,131,153	55,298,055	107,581,794	122,569,287
Commission received on ceded reinsurance	16,803,643	13,952,183	40,360,674	36,825,845
	68,934,796	69,250,238	147,942,468	159,395,132
Underwriting expenses				
Gross claims paid	(56,630,125)	(62,455,658)	(129,203,855)	(134,469,846)
Less: claims recovered from reinsurers	13,960,118	8,944,298	29,991,668	27,256,929
Net claims paid	(42,670,007)	(53,511,360)	(99,212,187)	(107,212,917)
Net change in outstanding claims	(8,163,299)	5,613,509	46,218	5,579,091
Net claims incurred	(50,833,306)	(47,897,851)	(99,165,969)	(101,633,826)
Commission paid and other costs	(6,919,164)	(5,780,390)	(17,100,411)	(18,913,027)
	(57,752,470)	(53,678,241)	(116,266,380)	(120,546,853)
Underwriting income before general and administrative expense	11,182,326	15,571,997	31,676,088	38,848,279
General and administrative expenses	(8,701,111)	(10,798,573)	(19,218,506)	(20,438,265)
Net under writing income	2,481,215	4,773,424	12,457,582	18,410,014
Income / (loss) from investments	51,567,581	(2,951,574)	83,228,922	11,403,635
Other income / (loss)	1,714,703	293,834	(1,917,689)	427,106
Finance costs	(2,342,621)	(2,061,033)	(4,654,128)	(4,296,154)
Unallocated general and administrative expense	(2,175,278)	(3,379,997)	(4,804,627)	(6,443,655)
Profit / (loss) for the period	51,245,600	(3,325,346)	84,310,060	19,500,946
Attributable to:				
Shareholders of the Company	51,647,851	(3,254,414)	84,709,369	19,446,300
Non-controlling interest	(402,251)	(70,932)	(399,309)	54,646
	51,245,600	(3,325,346)	84,310,060	19,500,946
Basic earnings/(loss) per share (AED)	0.22	(0.01)	0.37	0.08

The notes on pages 8 to 22 form an integral part of these condensed consolidated interim financial information.

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

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

Condensed consolidated interim statement of comprehensive income

for the six-month period ended 30 June 2014

	Three-month period ended 30 June 2014	Three-month period ended 30 June 2013	Six-month period ended 30 June 2014	Six-month period ended 30 June 2013
	AED	AED	AED	AED
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Profit / (loss) for the period	51,245,600	(3,325,346)	84,310,060	19,500,946
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss :</i>				
Net change in investment in financial assets at fair value through other comprehensive income	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	51,245,600	(3,325,346)	84,310,060	19,500,946
Attributable to:				
Shareholders	51,647,851	(3,254,414)	84,709,369	19,446,300
Non-controlling interest	(402,251)	(70,932)	(399,309)	54,646
	51,245,600	(3,325,346)	84,310,060	19,500,946

The notes on pages 8 to 22 form an integral part of these condensed consolidated interim financial information.

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

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

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

for the six-month period ended 30 June 2014

	Attributable to the equity holders of the Company						Non-controlling interest AED	Total equity AED
	Share capital AED	Statutory reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED		
Balance at 1 January 2013 (Audited)	230,000,000	52,011,356	200,000,000	(1,298,925)	106,449,561	587,161,992	4,146,458	591,308,450
Total comprehensive income for the period								
Profit for the period	-	-	-	-	19,446,300	19,446,300	54,646	19,500,946
Other comprehensive income								
Movement in net change in investment in financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	19,446,300	19,446,300	54,646	19,500,946
Transactions with owners directly recorded in equity								
Dividend paid	-	-	-	-	(17,250,000)	(17,250,000)	-	(17,250,000)
Directors' fee paid during the period	-	-	-	-	(450,000)	(450,000)	-	(450,000)
Change in controlling interest	-	-	-	-	98,799	98,799	(98,799)	-
Balance at 30 June 2013 (Un-audited)	<u>230,000,000</u>	<u>52,011,356</u>	<u>200,000,000</u>	<u>(1,298,925)</u>	<u>108,294,660</u>	<u>589,007,091</u>	<u>4,102,305</u>	<u>593,109,396</u>

The notes on pages 8 to 22 form an integral part of these condensed consolidated interim financial information.

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

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

for the six-month period ended 30 June 2014

	Attributable to the equity holders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Investment revaluation reserve	Retained earnings			
	AED	AED	AED	AED	AED	AED	AED	AED
Balance at 1 January 2014 (Audited)	230,000,000	57,505,110	200,000,000	(1,298,925)	136,915,271	623,121,456	1,282,199	624,403,655
Total comprehensive income for the period								
Profit for the period	-	-	-	-	84,709,369	84,709,369	(399,309)	84,310,060
Other comprehensive income								
Movement in net change in investment in financial asset at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	84,709,369	84,709,369	(399,309)	84,310,060
Transactions with owners directly recorded in equity								
Dividend paid	-	-	-	-	(17,250,000)	(17,250,000)	-	(17,250,000)
Directors' fee paid during the period	-	-	-	-	(600,000)	(600,000)	-	(600,000)
Balance at 30 June 2014 (Un-audited)	<u>230,000,000</u>	<u>57,505,110</u>	<u>200,000,000</u>	<u>(1,298,925)</u>	<u>203,774,640</u>	<u>689,980,825</u>	<u>882,890</u>	<u>690,863,715</u>

The notes on pages 8 to 22 form an integral part of these condensed consolidated interim financial information.

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

Condensed consolidated interim statement of cash flows

for the six-month period ended 30 June 2014

	Six-month period ended 30 June 2014 AED (Un-audited)	Six-month period ended 30 June 2013 AED (Un-audited)
Cash flows from operating activities		
Profit for the period	84,310,060	19,500,946
<i>Adjustment for:</i>		
Depreciation	483,416	1,908,800
Net (income) / loss from investments	(76,108,630)	158,731
Interest income	(4,728,413)	(2,174,071)
Dividend income	(2,076,339)	(1,182,137)
Provision for employees' end of service indemnity	1,679,350	711,158
Finance costs	4,654,128	4,296,154
Operating cash flows before movements in working capital	8,213,572	23,219,581
Increase in reinsurance contract assets	(33,750,683)	(66,022,042)
Increase in insurance and other receivables	(45,379,938)	(42,537,945)
Decrease in due from related parties	3,545,439	404,388
Decrease / (increase) in fixed deposits with bank	75,699,533	(5,245,496)
Increase in insurance contract liabilities	45,430,552	82,628,144
Increase in insurance and other payables	8,219,583	16,093,179
Increase / (decrease) in due to related parties	1,378,226	(5,142)
Cash generated from operations	63,356,284	8,534,667
Interest paid	(4,654,128)	(4,296,154)
Employees' end of service indemnity paid	(231,263)	(54,318)
Net cash from operating activities	58,470,893	4,184,195
Cash flows from investing activities		
Net proceeds from sale of / (investment in) securities	16,238,603	(8,045,589)
Net proceeds from disposal of investment properties	-	29,000,000
Purchase of property and equipment	(3,160,755)	(863,981)
Dividends received	2,076,339	1,182,137
Interest received	4,728,413	2,174,071
Net cash flows from investing activities	19,882,600	23,446,638
Cash flows from financing activities		
Increase in bank borrowings	13,264,915	20,064,506
Dividend paid	(17,250,000)	(17,250,000)
Payment of directors' fees	(600,000)	(450,000)
Net cash (used in) / from financing activities	(4,585,085)	2,364,506
Net increase in cash and cash equivalents	73,768,408	29,995,339
Cash and cash equivalents at 1 January	25,145,712	21,253,990
Cash and cash equivalents at 30 June (note 11)	98,914,120	51,249,329

The notes on pages 8 to 22 form an integral part of these condensed consolidated interim financial information.

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

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

Notes

(forming part of the condensed consolidated interim financial information)

1 Legal status and activities

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

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

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

Name of subsidiary	Activity	Group's Ownership		Country of incorporation
		30 June 2014	31 December 2013	
Jordan Emirates Insurance Company PSC	Underwriting of insurance of all types	88.90%	88.90%	Jordan

2 Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial information have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual audited financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b) Basis of measurement

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

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

c) Functional and presentation currency

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

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

Notes (continued)

2 Basis of preparation (continued)

d) Change in accounting policy

Early adoption of IFRS 9: Financial Instruments:

Effective 1 January 2014, the Group has early adopted IFRS 9 Financial Instruments issued in October 2010.

The requirements of IFRS 9 represent a significant change from the classification and measurement requirements in IAS 39 Financial Instruments: Recognition and Measurement in respect of financial assets. IFRS 9 contains two primary measurement categories for financial assets: amortised cost and fair value.

Unless it is designated as measured at fair value, a financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal outstanding. All other financial assets are measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

IFRS 9 requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

For investments in equity instruments that are not held for trading, IFRS 9 allows an irrevocable election, on an investment-by-investment basis, to present fair value changes from the investment in other comprehensive income. Dividends on such investments are generally recognised in profit or loss.

IFRS 9 requires that the effects of changes in credit risk of liabilities designated as at fair value through profit or loss are presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability is presented in profit or loss.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis except as described below from 1 January 2014 without restatement of prior periods.

- The changes are measured as at the first date of the current reporting period (1 January 2014).
 - The assessment of whether a financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
 - The designation of certain investments in equity instruments that are not held for trading as at fair value through other comprehensive income.
 - The determination of whether the existing designations of liabilities as at fair value through profit or loss would create or enlarge an accounting mismatch in profit or loss. As a result of this analysis no adjustments were required to be made.

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

Notes (*continued*)

2 Basis of preparation (*continued*)

d) Change in accounting policy (*continued*)

Early adoption of IFRS 9: Financial Instruments (continued)

- Change resulting from assessments made at the date of initial application (1 January 2014) and measured at the date of initial application - investments in unquoted equity instruments, which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value.

There is no differences between the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 (refer note 7.3). The provisions of IFRS 9 have not been applied to financial assets and financial liabilities derecognised before 31 December 2013.

The change in accounting policy does not have any material impact on basic and diluted earnings per share for the period.

e) Use of estimates and judgements

The preparation of these condensed consolidated interim financial information in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited financial statements as at and for the year ended 31 December 2013.

3 Summary of significant accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the Groups's annual consolidated financial statements for the year ended 31 December 2013. Except as explained in note 2(d) of these condensed consolidated interim financial information.

The adoption of the new and amended standards and interpretations effective 1 January 2014 did not have an impact on the financial position or performance of the Group during the period other than those explained elsewhere. Accounting policies for financial assets and liabilities are stated below.

a) Financial assets and liabilities (*early adoption of IFRS 9*)

i) *Financial assets at fair value through profit or loss (FVTPL)*

Investments in equity instruments are classified as financial assets at fair value through profit or loss, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI).

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

Notes (continued)

3 Summary of significant accounting policies (continued)

a) Financial assets and liabilities (early adoption of IFRS 9) (continued)

i) Financial assets at fair value through profit or loss (FVTPL) (continued)

Financial assets measured at FVTPL are measured at fair value, with any gains or losses arising in re-measurement recognised in the profit or loss.

Dividend income on investments in equity instruments at FVTPL is recognised in the profit or loss.

ii) Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election (on instrument by instrument basis) to designate other investments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Financial assets measured at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income.

Dividends on these investments in equity instruments are recognised in the profit or loss.

iii) Financial assets measured at amortised costs

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised costs are initially measured at fair value plus transaction costs. Subsequently, they are measured at amortised costs using the effective yield method less any impairment, with profit recognised on effective interest rate basis in the profit or loss.

Subsequent to the initial recognition, the Group is required to reclassify investments from amortised costs to FVTPL, if the objective of the business model changes so that the amortised cost criteria is no longer met.

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

Notes (continued)

3 Summary of significant accounting policies (continued)

b) Financial assets and liabilities as per IAS 39 (for comparative purpose only)

i) Classification of financial assets

Held-to-maturity financial assets

Held-to maturity financial assets are non derivative financial assets with fixed or determinable payment and fixed maturities that the Group's management has the positive intent and ability to hold to maturity.

Financial assets at fair value through profit or loss

Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the management.

Available-for-sale financial assets

Available-for-sale financial assets are non derivative financial assets that are not designated as another category of financial assets. Available-for-sale financial assets are carried at fair value.

ii) Recognition of financial instruments

Investments are recognised on the trade date which is the date on which the Group commits to purchase or sell the securities. Loans and receivables are recognised on the basis of underwriting activities.

Financial liabilities are recognised on the date when the Company becomes a party to the contractual provisions of the instrument.

iii) Derecognition of financial instruments

The Group derecognises financial assets when the contractual right to the cash flows from the financial assets expire, or when it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risk and rewards of the ownership of the financial assets are transferred to other party.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv) Fair value measurement principles

Fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is based on quoted market price at the reporting date without any deduction for transaction costs. If quoted market price is not available, the fair value of the instrument is estimated using pricing models or appropriate discounted cash flow techniques. Investments in other unlisted securities are recorded at the net asset value per share as reported by the managers of such fund.

Unquoted financial assets whose fair value can not be reliably measured are carried at cost less any impairment losses.

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

Notes (*continued*)

3 Summary of significant accounting policies (continued)

b) Financial assets and liabilities as per IAS 39 (for comparative purpose only) (continued)

v) Measurement of financial instruments

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent to the initial recognition, financial assets at fair value through profit or loss and available-for-sale financial assets are stated at their fair value. All other financial instruments are measured at amortised cost less impairment loss, if any.

vi) Impairment

Financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment for specific assets, or a group of similar assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of specific assets or a group of similar assets is calculated as the present value of the expected future cash flows.

Movement in provisions is recognised in the statement of profit or loss. Financial assets are written off only in circumstances where all reasonable restructuring and collecting activities have been exhausted.

Available-for-sale financial assets are re-measured to fair value through equity.

The recoverable amount of any equity instrument is its fair value. Where an asset measured to fair value directly through equity is impaired, and an increase in the fair value of the asset was previously recognised in profit or loss, the increase in fair value of the asset recognised in equity is reversed to the extent the asset is impaired. Any additional impairment loss is recognised in the profit or loss.

4 Financial risk management

Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2013.

5 Interim measurement

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

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

Notes (continued)

6 Investment properties

	(Un-audited) 30 June 2014 AED	(Audited) 31 December 2013 AED
Cost at the beginning of the period / year	264,153,951	305,347,114
Disposal during the period / year	-	(41,193,163)
Cost at the end of the period / year	264,153,951	264,153,951
Net loss on revaluation of investment properties	(94,153,951)	(94,153,951)
	170,000,000	170,000,000

As at 30 June 2014, the Group has two investment properties out of which one property is Meydan Tower (one property is under development), located in Dubai controlled by GGICO Real Estate Development Co. L.L.C. in which the Group has 10% ownership. The carrying value of the property is AED 80 million (10% share of AED 800 million) as at 30 June 2014 (31 December 2013: AED 80 million). The Group has additional commitment of AED 46.6 million as at 30 June 2014 (31 December 2013: AED 46.6 million) in relation to the property. The other property located in Al Barsha First, Dubai which has a carrying value of AED 90 million (31 December 2013: AED 90 million).

Fair value hierarchy of the Group's investment properties are as follows:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
At 30 June 2014				
Investments properties	-	-	170,000,000	170,000,000
At 31 December 2013				
Investments properties	-	-	170,000,000	170,000,000

7 Investment in financial assets

	(Un-audited) 30 June 2014 AED	(Audited) 31 December 2013 AED
Investment in financial assets at fair value through profit or loss ("FVTPL") (note 7.1)	261,439,385	194,871,884
Investment in financial asset at fair value through other comprehensive	2,539,123	2,539,123
Held to maturity investments	-	6,697,474
Investment in associates (note 7.3)	541,010	541,010
Total	264,519,518	204,649,491

- 7.1 Further, during the period, the Group sold some shares worth AED 17.6 million, which resulted into realised gain of AED 8.5 million. As at 30 June 2014, the revaluation of investment securities resulted in an unrealised gain of AED 67.2 million for the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: AED 0.6 million). During the period, Group has received dividend income of AED 2.1 million (six-month period ended 30 June 2013: AED 2.9 million) on its investments in securities.

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

Notes (continued)

7 Investments in financial assets (continued)

7.2 The Group holds 50% ownership in Green Air Technology L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates. The remaining 50% ownership is owned equally by the Parent Company and the CEO of the Company. The 50% share is registered in the name of the Parent Company on behalf and for the benefit of the Company.

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

Although, the Group holds 50% equity in 2 associates, these are controlled by the Parent Company. The Group does not have voting rights in these entities. Consequently, the Group does not exercise any control on these entities.

7.3 Financial assets – accounting classification and fair values

The following table summarises the transitional classification and measurement adjustments to the Group's financial assets on 1 January 2014.

Particulars	Old classification under IAS 39	New classification under IFRS 9	31 December 2013		1 January 2014	
			Original carrying amount under IAS 39	New carrying amount under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Available-for-sale financial assets	Available-for-sale	Fair value through other comprehensive income	2,539,123	2,539,123	2,539,123	2,539,123
Held-to-maturity financial assets	Held-to-maturity	Fair value through profit or loss	6,697,474	6,697,474	6,697,474	6,697,474
Financial assets through profit or loss	Financial assets through profit or loss	Fair value through profit or loss	194,871,884	194,871,884	194,871,884	194,871,884
Total			204,108,481	204,108,481	204,108,481	204,108,481

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

Notes (continued)

8 Classes and categories of financial assets and financial liabilities (continued)

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

At 30 June 2014 (Un-audited)

<u>Financial assets</u>	FVTPL	FVTOCI	Amortised cost	Total
	AED	AED	AED	AED
Investment in financial assets	261,439,385	2,539,123	-	263,978,508
Reinsurance contract assets	-	-	190,761,235	190,761,235
Insurance and other receivables	-	-	274,726,657	274,726,657
Due from related parties	-	-	155,907,323	155,907,323
Cash and bank balances	-	-	334,037,328	334,037,328
	261,439,385	2,539,123	955,432,543	1,219,411,051

At 30 June 2014 (Un-audited)

<u>Financial liabilities</u>	FVTPL	FVTOCI	Amortised cost	Total
	AED	AED	AED	AED
Due to related parties	-	-	1,797,400	1,797,400
Insurance contract liabilities	-	-	338,778,709	338,778,709
Bank borrowings	-	-	248,723,868	248,723,868
Insurance and other payables	-	-	105,659,058	105,659,058
	-	-	694,959,035	694,959,035

At 31 December 2013 (Audited)

<u>Financial assets</u>	FVTPL	AFS	Amortised cost	Total
	AED	AED	AED	AED
Investment in financial assets	194,871,884	2,539,123	6,697,474	204,108,481
Reinsurance contract assets	-	-	157,010,552	157,010,552
Insurance and other receivables	-	-	229,346,719	229,346,719
Due from related parties	-	-	159,452,762	159,452,762
Cash and bank balances	-	-	335,968,453	335,968,453
	194,871,884	2,539,123	888,475,960	1,085,886,967

<u>Financial liabilities</u>	FVTPL	AFS	Amortised cost	Total
	AED	AED	AED	AED
Due to related parties	-	-	419,174	419,174
Insurance contract liabilities	-	-	293,348,157	293,348,157
Bank borrowings	-	-	235,458,953	235,458,953
Insurance and other payables	-	-	97,439,475	97,439,475
	-	-	626,665,759	626,665,759

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

Notes (continued)

9 Fair value of financial instruments

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Partnership has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

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

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

Investments in financial assets (continued)	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
30 June 2014 (Un-audited)				
FVTPL	254,741,911	-	6,697,474	261,439,385
FVTOCI	-	-	2,539,123	2,539,123
	<u>254,741,911</u>	<u>-</u>	<u>9,236,597</u>	<u>263,978,508</u>
31 December 2013 (Audited)				
FVTPL	194,871,884	-	6,697,474	201,569,358
FVTOCI	-	-	2,539,123	2,539,123
	<u>194,871,884</u>	<u>-</u>	<u>9,236,597</u>	<u>204,108,481</u>

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

Notes (*continued*)

10 Insurance contract liabilities and reinsurance contract assets

	(Un-audited) 30 June 2014 AED	(Audited) 31 December 2013 AED
Gross		
Insurance contract liabilities		
Claims reported unsettled	183,415,593	162,605,790
Claims incurred but not reported	8,201,865	11,767,120
Unearned premiums	147,161,251	118,975,247
Total insurance contract liabilities (gross)	338,778,709	293,348,157
Recoverable from reinsurers		
Claims reported unsettled	(129,620,707)	(112,329,943)
Claims incurred but not reported	-	-
Unearned premiums	(61,140,528)	(44,680,609)
Total recoverable from reinsurers	(190,761,235)	(157,010,552)
Net		
Claims reported unsettled	53,794,886	50,275,847
Claims incurred but not reported	8,201,865	11,767,120
Unearned premiums	86,020,723	74,294,638
	148,017,474	136,337,605
11 Cash and bank balances	(Un-audited) 30 June 2014 AED	(Audited) 31 December 2013 AED
Cash on hand	537,345	952,592
Bank balances:		
Current accounts	4,244,955	8,201,785
Fixed deposits	329,255,028	326,814,076
	334,037,328	335,968,453

Fixed deposits with banks as at 30 June 2014 include AED 10.3 million (*31 December 2013: AED 10.3 million*) deposited in the name of the Company to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law Number (6) of 2007 relating to Insurance Authority.

Fixed deposits amounting to AED 293.57 million (*31 December 2013: AED 298 million*) are under lien in respect of bank credit facilities granted to the Group.

All fixed deposits with banks mature within different periods not exceeding one year from the financial date of deposit and carry interest rates between 2.75% to 5.5% per annum (*31 December 2013: 2.25% to 3.3% per annum*).

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

Notes (*continued*)

11 Cash and bank balances (*continued*)

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

	(Un-audited) 30 June 2014 AED	(Un-audited) 30 June 2013 AED
Bank balances and cash	334,037,328	324,710,661
Long term fixed deposits	(235,123,208)	(273,461,332)
Cash and cash equivalents	98,914,120	51,249,329

12 Share capital

	(Un-audited) 30 June 2014 AED	(Audited) 31 December 2013 AED
Issued and fully paid:		
230,000,000 shares of AED 1 each (31 December 2013: 230,000,000 share of AED 1 each)	230,000,000	230,000,000

13 Basic earnings per share

	Three-month period ended 30 June		Six-month period ended 30 June	
	(Un-audited) 2014 AED	(Un-audited) 2013 AED	(Un-audited) 2014 AED	(Un-audited) 2013 AED
Profit / (loss) for the period attributable	51,647,851	(3,254,414)	84,709,369	19,446,300
Weighted average number of shares	230,000,000	230,000,000	230,000,000	230,000,000
Basic earnings / (loss) per share	0.22	(0.01)	0.37	0.08

Basic earnings per share are calculated by dividing the profit / (loss) for the period attributable to shareholders by the weighted average number of shares outstanding at reporting date.

14 Contingent liabilities and commitments

	(Un-audited) 30 June 2014 AED	(Audited) 31 December 2013 AED
Letters of guarantee	13,714,677	15,183,512
Investment commitment	46,610,000	46,610,000

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

Notes (continued)

15 Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: Related Party Disclosures. Related parties comprise companies and entities under common ownership and/or common management and control, shareholders, directors and key management personnel of the Group, their close family members and entities controlled, jointly controlled or significantly influenced by such parties. The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

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

	(Un-audited) 30 June 2014	(Audited) 31 December 2013
Included in insurance and other receivables	AED	AED
Due from policyholders	25,277,534	18,634,674
Due from shareholders	274,031	96,031
Included in due from related parties		
Due from related parties	203,407,323	213,988,762
Allowance for doubtful debts	(47,500,000)	(47,500,000)
	<u>155,907,323</u>	<u>166,488,762</u>
Movement in allowance for doubtful debt is as follows;		
Balance at beginning of the period / year	47,500,000	47,500,000
Allowance made during the period / year	-	-
Balance at the period / year end	<u>47,500,000</u>	<u>47,500,000</u>
Included in due to related parties		
Due to shareholders	1,797,400	419,174
Included in insurance contract liabilities		
Gross outstanding claims	553,543	59,417

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

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

	Three-month period ended 30 June		Six-month period ended 30 June	
	(Un-audited) 2014 AED	(Un-audited) 2013 AED	(Un-audited) 2014 AED	(Un-audited) 2013 AED
Gross premium	460,165	1,607,178	7,718,774	12,554,365
Claims paid	161,972	54,847	413,715	180,598
Compensation of key management personnel				
Salaries and benefits	1,824,844	2,126,794	3,394,075	3,878,183
	<u>1,824,844</u>	<u>2,126,794</u>	<u>3,394,075</u>	<u>3,878,183</u>

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

Notes (*continued*)

16 Segment information

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's 'system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

Management has determined the segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. There are no transactions between the business segments.

Business segments

The Group has the following main business segments:

- a) Underwriting
 - Accident and Liability: Covers damages resulting from work accidents, burglary, motor, civil responsibilities, engineering insurance, medical, life, personal and breach of trust.
 - Fire: Covers insurance against damages caused by Fire, explosions, natural phenomena and all kind of
 - Marine and aviation: Covers the insurance of cargo and other movables, freight charges, ship and aircraft hulls, machinery and the insurance against risks incidental to its construction, operations, repairs and docking including damages which afflict others.
- b) Investment and treasury comprising of investment in securities, fixed deposits and investment property.

	For the six-month period ended 30 June 2014			For the six-month period ended 30 June 2013		
	Underwriting	Investment and treasury	Total	Underwriting	Investment and treasury	Total
	AED	AED	AED	AED	AED	AED
Segment revenue	210,452,584	-	210,452,584	242,870,930	-	242,870,930
Segment results	12,457,582	76,657,105	89,114,687	18,410,014	7,534,587	25,944,601
unallocated costs	-	-	(4,804,627)	-	-	(6,443,655)
Profit for the period			84,310,060			19,500,946

	30 June 2014			31 December 2013		
	Underwriting	Investment and treasury	Total	Underwriting	Investment and treasury	Total
	AED	AED	AED	AED	AED	AED
Segment assets	769,357,892	459,904,546	1,229,262,438	694,657,271	393,163,567	1,087,820,838
Unallocated assets	-	-	169,068,416	-	-	174,308,593
Total assets			1,398,330,854			1,262,129,431
Segment liabilities	444,437,767	248,723,868	693,161,635	390,787,632	235,458,953	626,246,585
Unallocated liabilities	-	-	14,305,504	-	-	11,479,191
Total liabilities			707,467,139			637,725,776

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

Notes (*continued*)

17 Dividends

At the Annual General Meeting held on 27 April 2014, the Shareholders approved a cash dividend of 7.5% amounting to AED 17,250,000 for 2013 (*2013: cash dividend of 7.5% amounting to AED 17,250,000*). The Shareholders also approved the Board of Directors' remuneration for 2013 of AED 600,000 (*2013: AED 450,000*).

18 Comparative figures

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