

Al-Sagr National Insurance Company
(Public Shareholding Company)

Condensed interim financial information
for the six-month period ended 30 June 2018

Al-Sagr National Insurance Company (Public Shareholding Company)

Condensed interim financial information

for the six-month period ended 30 June 2018

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Independent auditors' report on review of condensed interim financial information

To the Shareholders of Al-Sagr National Insurance Company (Public Shareholding Company)

Introduction

We have reviewed the accompanying 30 June 2018 condensed interim financial information of Al-Sagr National Insurance Company (Public Shareholding Company) (the "Company"), which comprises:

- the condensed interim statement of financial position as at 30 June 2018;
- the condensed interim statement of profit or loss for the three-month and six-month periods ended 30 June 2018;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2018;
- the condensed interim statement of changes in equity for the six-month period ended 30 June 2018;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2018; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed 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 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 2018 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Vijendra Nath Malhotra
Registration No.: 48
Dubai, United Arab Emirates
Date: **13 AUG 2018**

Al-Sagr National Insurance Company (Public Shareholding Company)

Condensed interim statement of financial position

as at

	Note	30 June 2018 AED (Unaudited)	31 December 2017 AED (Audited)
ASSETS			
Property and equipment		6,419,083	6,575,115
Investment in associates	6	166,813,756	165,746,393
Investment in financial assets at FVTPL	7	50,996,148	53,500,127
Investment properties	8	173,873,584	172,602,503
Insurance receivables		155,500,585	134,066,817
Reinsurer share of outstanding claims		110,004,078	143,394,000
Reinsurer share of incurred but not reported claims (IBNR)		14,736,000	15,836,000
Reinsurer share of unearned premium reserve		73,281,000	54,266,000
Due from related parties	15	105,535,404	104,074,814
Other receivables and prepayments		20,945,427	18,133,200
Security deposits		569,393	667,775
Cash and bank balances	9	205,747,689	239,248,629
Asset held for sale		538,368	1,693,322
TOTAL ASSETS		1,084,960,515	1,109,804,695
EQUITY AND LIABILITIES			
Equity			
Share capital	12	230,000,000	230,000,000
Statutory reserve		67,257,868	67,257,868
General reserve		100,000,000	100,000,000
Retained earnings		53,327,445	57,863,417
Total equity		450,585,313	455,121,285
Liabilities			
Due to related parties	15	-	91,800
Provision for employees' end of service indemnity		14,290,816	14,294,533
Bank borrowings		130,607,423	125,421,763
Insurance and other payables		110,128,784	134,744,334
Outstanding claims reserve		134,973,179	164,309,980
Incurred but not reported claims (IBNR) reserve		43,915,000	43,326,000
Unearned premium reserve		195,970,000	168,520,000
Unexpired risk reserve		1,333,000	1,133,000
Unallocated loss adjustment expense reserve		3,157,000	2,842,000
Total liabilities		634,375,202	654,683,410
Total equity and liabilities		1,084,960,515	1,109,804,695

The notes on pages 10 to 24 form an integral part of these condensed interim financial information.

These condensed interim financial information were approved and authorised for issue by the Board of Directors on **13 AUG 2018** and signed on their behalf by:

Chairman

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.

Al-Sagr National Insurance Company (Public Shareholding Company)

Condensed interim statement of profit or loss

for the six-month period ended 30 June

	Three-month period ended 30 June 2018	Three-month period ended 30 June 2017	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017
<i>Note</i>	AED	AED	AED	AED
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
		<i>Consolidated</i>		<i>Consolidated</i>
UNDERWRITING RESULTS				
Underwriting income				
Gross insurance premium	94,138,881	99,402,539	201,025,133	224,170,317
Less: reinsurance share of gross premium	(39,235,585)	(43,870,103)	(89,242,589)	(102,638,601)
Less: reinsurance share of ceded business premium	(913,186)	(546,263)	(913,186)	(1,723,009)
Net retained premium	53,990,110	54,986,173	110,869,358	119,808,707
Net change in unearned premium reserve	30,000	3,932,206	(8,435,000)	(4,988,288)
Net insurance premium	54,020,110	58,918,379	102,434,358	114,820,419
Commission earned	16,210,806	18,497,734	36,034,250	39,195,809
Commission incurred	(7,517,070)	(8,280,218)	(16,726,311)	(17,944,333)
Underwriting income	62,713,846	69,135,895	121,742,297	136,071,895
Gross claims paid	(55,310,487)	(80,655,123)	(145,337,250)	(177,068,281)
Insurance claims recovered from reinsurers	20,155,003	27,426,368	69,439,442	62,146,477
Net claims paid	(35,155,484)	(53,228,755)	(75,897,808)	(114,921,804)
(Increase) / decrease in provision for outstanding claims	(235,422)	12,409,308	29,336,801	34,836,911
Decrease in reinsurer share of outstanding claims	(5,419,135)	(7,318,551)	(33,389,922)	(19,796,260)
Increase in unexpired risk reserve	(187,000)	(457,000)	(200,000)	(495,000)
Increase in incurred but not reported claims (IBNR) reserve	(2,074,000)	(2,446,026)	(1,689,000)	(513,677)
(Increase) / decrease in unallocated loss adjustment expense reserve	(1,000)	(73,000)	(315,000)	197,000
Net claims incurred	(43,072,041)	(51,114,024)	(82,154,929)	(100,692,830)
Underwriting profit	19,641,805	18,021,871	39,587,368	35,379,065
Net investments loss	(868,128)	(1,629,990)	(3,177,523)	(3,505,212)
Share of (loss) / profits from equity accounted investees	(205,318)	746,976	1,067,363	1,003,675
General and administrative expenses	(8,889,857)	(10,371,565)	(17,920,370)	(20,941,635)
Profit for the period	9,678,502	6,767,292	19,556,838	11,935,893
Attributable to:				
Shareholders of the Company	9,678,502	6,842,293	19,556,838	12,205,600
Non-controlling interest	-	(75,001)	-	(269,707)
	9,678,502	6,767,292	19,556,838	11,935,893
Earnings per share	0.04	0.03	0.09	0.05

The notes on pages 10 to 24 form an integral part of these condensed interim financial information.

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.

Al-Sagr National Insurance Company (Public Shareholding Company)

Condensed interim statement of profit or loss and other comprehensive income

for the six-month period ended 30 June

	Three-month period ended 30 June 2018 AED (Un-audited)	Three-month period ended 30 June 2017 AED (Un-audited) <i>Consolidated</i>	Six-month period ended 30 June 2018 AED (Un-audited)	Six-month period ended 30 June 2017 AED (Un-audited) <i>Consolidated</i>
Profit for the period	9,678,502	6,767,292	19,556,838	11,935,893
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss:</i>	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	9,678,502	6,767,292	19,556,838	11,935,893
Attributable to:				
Shareholders of the Company	9,678,502	6,842,293	19,556,838	12,205,600
Non-controlling interest	-	(75,001)	-	(269,707)
	9,678,502	6,767,292	19,556,838	11,935,893

The notes on pages 10 to 24 form an integral part of these condensed interim financial information.

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Al-Sagr National Insurance Company (Public Shareholding Company)

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

for the six-month period ended 30 June

	Attributable to the equity holders of the Company						Non-controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Investment revaluation reserve	Accumulated losses	Total		
	AED	AED	AED	AED	AED	AED	AED	AED
As at 1 January 2017 (Audited)	230,000,000	65,220,938	200,000,000	(1,379,079)	(46,589,876)	447,251,983	570,543	447,822,526
Total comprehensive income for the period								
Profit / (loss) for the period	-	-	-	-	12,205,600	12,205,600	(269,707)	11,935,893
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	-	-	12,205,600	12,205,600	(269,707)	11,935,893
Transactions with owners directly recorded in equity								
Transfer from general reserve	-	-	(100,000,000)	-	100,000,000	-	-	-
Dividend paid	-	-	-	-	(11,500,000)	(11,500,000)	-	(11,500,000)
Directors' fee paid during the period	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
As at 30 June 2017 (Unaudited)	<u>230,000,000</u>	<u>65,220,938</u>	<u>100,000,000</u>	<u>(1,379,079)</u>	<u>53,115,724</u>	<u>446,957,583</u>	<u>300,836</u>	<u>447,258,419</u>

The notes on pages 10 to 24 form an integral part of these condensed interim financial information.

Al-Sagr National Insurance Company (Public Shareholding Company)

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

for the six-month period ended 30 June

	Share capital AED	Statutory reserve AED	General reserve AED	Retained earnings AED	Total equity AED
As 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 (refer note 3)	-	-	-	(10,592,810)	(10,592,810)
As at 1 January 2018 (Un-audited) - restated	230,000,000	67,257,868	100,000,000	47,270,607	444,528,475
Total comprehensive income for the period					
Profit for the period	-	-	-	19,556,838	19,556,838
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	19,556,838	19,556,838
Transactions with owners directly recorded in equity					
Dividend paid (refer note 17)	-	-	-	(11,500,000)	(11,500,000)
Directors' fee paid during the period	-	-	-	(2,000,000)	(2,000,000)
As at 30 June 2018 (Unaudited)	230,000,000	67,257,868	100,000,000	53,327,445	450,585,313

The notes on pages 10 to 24 form an integral part of these condensed interim financial information.

Al-Sagr National Insurance Company (Public Shareholding Company)

Condensed interim statement of cash flows

for the six-month period ended 30 June

	Six-month period ended 30 June 2018 AED (Un-audited)	Six-month period ended 30 June 2017 AED (Un-audited) <i>Consolidated</i>
Cash flows from operating activities		
Profit for the period	19,556,838	11,935,893
<i>Adjustment for:</i>		
Depreciation	728,401	831,061
Net unrealised loss from investments in financial assets at FVTPL	504,451	412,751
Interest income	(3,068,656)	(3,803,024)
Dividend income	(1,652,109)	(1,447,161)
Share of profit from equity accounted investees	(1,067,363)	(1,003,675)
Provision for employees' end of service indemnity	770,000	586,614
Finance costs	2,237,640	3,334,633
Operating cash flows before movements in working capital	18,009,202	10,847,092
Change in insurance receivables	(31,627,868)	(24,209,372)
Change in reinsurer share of outstanding claims	33,389,922	19,796,260
Change in reinsurer share of incurred but not reported claims (IBNR)	1,100,000	(5,295,000)
Change in reinsurer share of unearned premium reserve	(19,015,000)	(31,016,594)
Change in due from related parties	(1,460,590)	(5,448,224)
Change in other receivables and prepayments	(3,150,533)	2,035,109
Change in in security deposits	71,959	(13,100)
Change in due to related parties	(91,800)	(26,138)
Change in insurance and other payables	(24,615,550)	13,486,267
Change in outstanding claims reserve	(29,336,801)	(34,836,911)
Change in incurred but not reported claims (IBNR) reserve	589,000	5,808,677
Change in unearned premium reserve	27,450,000	36,004,882
Change in unexpired risk reserve	200,000	495,000
Change in unallocated loss adjustment expense reserve	315,000	(197,000)
Net cash used in operations	(28,173,059)	(12,569,052)
Interest paid	(2,237,640)	(3,334,633)
Employees' end of service indemnity paid	(773,717)	(523,756)
Net cash used in operating activities	(31,184,416)	(16,427,441)
Cash flows from investing activities		
Purchase of property and equipment	(572,369)	(843,083)
Addition in investment properties; net	(1,271,081)	(982,960)
Net proceeds from sale of investment in financial assets at FVTPL	1,999,528	7,334,431
Net proceeds from asset held for sale	1,154,954	-
Dividend received from equity accounted investees	-	9,800,000
Dividends received	1,652,109	1,447,161
Interest received	3,068,656	3,803,024
Net cash generated from investing activities	6,031,797	20,558,573

Al-Sagr National Insurance Company (Public Shareholding Company)

Condensed interim statement of cash flows (continued)

for the six-month period ended 30 June

	Six-month period ended 30 June 2018 AED (Un-audited)	Six-month period ended 30 June 2017 AED (Un-audited) <i>Consolidated</i>
Cash flows from financing activities		
Dividends	(11,500,000)	(11,500,000)
Payment of directors' fees	(2,000,000)	(1,000,000)
Net cash used in financing activities	(13,500,000)	(12,500,000)
Net decrease in cash and cash equivalents	(38,652,619)	(8,368,868)
Cash and cash equivalents at 1 January	113,792,885	122,359,391
Cash and cash equivalents at 30 June (note 9)	75,140,266	113,990,523

The notes on pages 10 to 24 form an integral part of these condensed interim financial information.

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information

1 Legal status and activities

Al-Sagr National Insurance Company (Public Share holding Company), (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 Khaimah and Ajman in the U.A.E.

During prior year, the Board of Directors of the Company approved a plan to dispose off the Company's entire equity interest in Jordan Emirates Insurance Company PSC (a former subsidiary in Jordan). The Company lost control over its former subsidiary pursuant to a sale of 60% of the equity shares in the former subsidiary held by the Company in December 2017. During the current period of 2018, the Company has further sold 24.5% of the equity shares. As at 30 June 2018, the Company holds 9.6% (31 December 2017: 34.1%) shares in former subsidiary which is classified as asset held for sale.

2 Basis of preparation

a) Statement of compliance

These condensed interim financial information have been prepared in accordance with IAS 34 "Interim Financial Reporting", applicable provisions of UAE Federal Law No. 2 of 2015 and UAE Federal Law No. 6 of 2007. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual consolidated financial statements as at and for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b) Basis of measurement

These condensed 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"); and
- ii) Investment properties.

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

In preparing condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited financial statements as at and for the year ended 31 December 2017, except the below which were a result of adoption of IFRS 9:

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

2 Basis of preparation (continued)

d) Use of estimates and judgements (continued)

Impairment of financial instruments

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 realizing 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.

3 Summary of significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the annual financial statements as at and for the year ended 31 December 2017, except for changes to the accounting for financial instruments resulting from the adoption of International Financial Reporting Standard (IFRS) 9, Financial Instruments.

The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company had already early adopted the requirements for the classification and measurement of the financial instruments in the year 2014. The Company has assessed the changes between the version of IFRS 9 issued in July 2014 and the earlier version adopted and assessed that there are no significant changes. As such there is no impact on opening equity as at 1 January 2018 on account of changes in classification requirements of IFRS 9.

The adoption of July 2014 version of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

Impairment

IFRS 9 replaces the 'incurred loss' model in International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under International Accounting standard (IAS) 39 *Financial Instruments: Recognition and Measurement*.

The financial assets at amortised cost consist of insurance and other receivables, cash and cash equivalents, corporate debt securities and due from related parties.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

3 Summary of significant accounting policies (continued)

Measurement of ECLs (continued)

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

Impairment provision for trade receivables are recognised based on the simplified approach within IFRS 9 using the life time expected credit losses. During this process the probability of non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within general and administrative expenses in the condensed interim statement of profit or loss. On confirmation that the trade receivables will not be collectible, the gross carrying value of the asset is written off against the associated provision.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

The Company has adopted simplified approach in case of insurance and other receivables. In case of financial assets for which simplified approach is adopted lifetime expected credit loss is recognised.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Forward-looking information

The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

3 Summary of significant accounting policies (continued)

Macroeconomic factors

In its models, the Company relies on a broad range of forward looking information as economic inputs, such as: GDP, GDP annual growth rate, unemployment rates, inflation rates, interest rates, etc. Various macroeconomic variables considered are Brent, CPI, Stock, Inflation and Loans to private sector.

The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets.

Definition of default

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative – e.g. breaches of covenant
- Quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that credit risk on the asset had not increased significantly since its initial recognition.

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

3 Summary of significant accounting policies (continued)

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The impact from the adoption of IFRS 9 (2014) as at 1 January 2018 has been to decrease retained earnings by AED 10.59 million.

	Retained earnings AED
Closing balance under IAS 39 (31 December 2017)	57,863,417
<u>Impact on recognition of Expected Credit Losses</u>	
Insurance receivables and due from related parties	(10,194,100)
Security Deposits	(26,423)
Other receivables	(338,306)
Cash and bank balances	(33,981)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	<u>47,270,607</u>

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

Reconciliation of impairment allowances

	31 December 2017 AED	Re-measurement AED	1 January 2018 AED
Insurance receivables and due from related parties	17,179,696	10,194,100	27,373,796
Security Deposits	-	26,423	26,423
Other receivables	-	338,306	338,306
Cash and bank balances	-	33,981	33,981
	<u>17,179,696</u>	<u>10,592,810</u>	<u>27,772,506</u>

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

4 Financial risk management

Aspects of the Company'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 2017.

5 Interim measurement

The nature of the Company'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 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 period. However, the results may not represent a proportionate share of the annual profits due to variability in contributions and investment income and uncertainty of claims occurrences.

6 Investment in associates

	(Un-audited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Green Air Technology L.L.C., United Arab Emirates (note 6.1)	16,716	16,716
Sogour Al Khaleej General Trading L.L.C., United Arab Emirates (Note 6.1)	150,000	150,000
Al Sagr Cooperative Insurance Company (note 6.2)	166,647,040	165,579,677
	<u>166,813,756</u>	<u>165,746,393</u>

- 6.1** The Company 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 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.

- 6.2** As at 30 June 2018, 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.

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

6 Investment in associates (continued)

	(Un-audited) 30 June 2018 AED	(Audited) 31 December 2017 AED
As at 1 January	165,579,677	173,414,627
Company's share of net profits for the period / year	1,067,363	1,965,050
Dividend received during the period / year	-	(9,800,000)
Investment in associate	<u>166,647,040</u>	<u>165,579,677</u>
Percentage of interest	20%	20%
	(Un-audited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Assets	912,508,280	1,078,446,590
Liabilities	(447,773,823)	(619,048,950)
Net assets	<u>464,734,457</u>	<u>459,397,640</u>
Company's share in net assets at 20%	92,946,891	91,879,528
Goodwill and other intangibles at acquisition	73,700,149	73,700,149
Investment in associates	<u>166,647,040</u>	<u>165,579,677</u>
	(Un-audited) 30 June 2018 AED	(Un-audited) 30 June 2017 AED
Revenue for the period	137,094,982	71,342,232
Net profit for the period	5,336,817	5,018,377
Company's share of net profit for the period at 20%	<u>1,067,363</u>	<u>1,003,675</u>

7 Investment in financial assets at FVTPL

The revaluation of investment securities resulted in net unrealised loss of AED 0.5 million for the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: net unrealised loss of AED 0.41 million). During the current period, Company received dividend income of AED 1.65 million (six-month period ended 30 June 2017: AED 1.45 million) on its investments in securities.

8 Investment properties

	(Un-audited) 30 June 2018 AED	(Audited) 31 December 2017 AED
At the beginning of the period / year	172,602,503	172,934,241
Additions during the period / year	1,271,081	2,602,503
Disposal of subsidiary during the period / year	-	(2,934,241)
	<u>173,873,584</u>	<u>172,602,503</u>

As at 30 June 2018, 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 80 million (10% share of AED 800 million) (31 December 2017: AED 80 million). Another property located in Al Barsha First, Dubai is currently under development, and has a carrying value of AED 93.9 million (31 December 2017: AED 92.6 million) and the addition during the period pertains to that property. The Company assessed the fair value of the investment properties during 2017 externally. As at 30 June 2018, the fair value of investment properties portfolio based on internal valuation of management and is not significantly different from its carrying value.

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

9 Cash and bank balances

	(Un-audited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Cash in hand	259,628	555,658
Bank balances:		
Current accounts	3,293,752	6,614,681
Fixed deposits	202,228,290	232,078,290
Less: Expected credit losses	(33,981)	-
	<u>205,747,689</u>	<u>239,248,629</u>

Fixed deposits with banks as at 30 June 2018 include AED 10.3 million (31 December 2017: 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 177.5 million (31 December 2017: AED 177.5 million) are under lien in respect of bank credit facilities granted to the Company.

All fixed deposits with banks mature within different periods not exceeding one year from the financial date of deposit and carry interest rates ranging 2.5% to 3.6% per annum (31 December 2017: 2.5% to 3.25% per annum).

Cash and cash equivalents for the purpose of cashflows are analysed as follows;

	(Un-audited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Cash and bank balances	205,747,689	239,248,629
Bank borrowings	(130,607,423)	(125,421,763)
Cash and cash equivalents (for cash flow statement)	<u>75,140,266</u>	<u>113,826,866</u>

10 Classes and categories of financial assets and financial liabilities

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 2018 (Un-audited)

<u>Financial assets</u>	<u>FVTPL</u> <u>AED</u>	<u>Amortised</u> <u>cost</u> <u>AED</u>	<u>Total</u> <u>AED</u>
Investment in financial assets at FVTPL	50,996,148	-	50,996,148
Insurance receivables	-	155,500,585	155,500,585
Due from related parties	-	105,535,404	105,535,404
Other receivables	-	20,226,931	20,226,931
Security deposits	-	569,393	569,393
Cash and bank balances	-	205,747,689	205,747,689
Asset held for sale	538,368	-	538,368
	<u>51,534,516</u>	<u>487,580,002</u>	<u>539,114,518</u>

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

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

At 30 June 2018 (Un-audited)

<u>Financial liabilities</u>	<u>FVTPL</u> <u>AED</u>	<u>Amortised</u> <u>cost</u> <u>AED</u>	<u>Total</u> <u>AED</u>
Bank borrowings	-	130,607,423	130,607,423
Insurance and other payables	-	110,128,784	110,128,784
	-	240,736,207	240,736,207

At 31 December 2017 (Audited)

<u>Financial assets</u>	<u>FVTPL</u> <u>AED</u>	<u>Amortised</u> <u>cost</u> <u>AED</u>	<u>Total</u> <u>AED</u>
Investment in financial assets at FVTPL	53,500,127	-	53,500,127
Insurance receivables	-	134,066,817	134,066,817
Due from related parties	-	104,074,814	104,074,814
Other receivables	-	17,427,658	17,427,658
Security deposits	-	667,775	667,775
Cash and bank balances	-	239,248,629	239,248,629
Asset held for sale	1,693,322	-	1,693,322
	55,193,449	495,485,693	550,679,142

<u>Financial liabilities</u>	<u>FVTPL</u> <u>AED</u>	<u>Amortised</u> <u>cost</u> <u>AED</u>	<u>Total</u> <u>AED</u>
Due to related parties	-	91,800	91,800
Bank borrowings	-	125,421,763	125,421,763
Insurance and other payables	-	134,744,334	134,744,334
	-	260,257,897	260,257,897

11 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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company 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 Company 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 Company 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.

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

11 Fair value of financial instruments (continued)

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:

30 June 2018 (Un-audited)

<u>Financial assets</u>	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
FVTPL - financial assets	33,794,097	17,202,051	-	50,996,148
Asset held for sale	538,368	-	-	538,368
	34,332,465	17,202,051	-	51,534,516
<u>Non financial assets</u>				
Investment properties	-	-	173,873,584	173,873,584
	34,332,465	17,202,051	173,873,584	225,408,100

31 December 2017 (Audited)

<u>Financial assets</u>	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
FVTPL - financial assets	36,071,320	17,428,807	-	53,500,127
Asset held for sale	1,693,322	-	-	1,693,322
	37,764,642	17,428,807	-	55,193,449
<u>Non financial assets</u>				
Investment properties	-	-	172,602,503	172,602,503
	37,764,642	17,428,807	172,602,503	227,795,952

12 Share capital

	(Un-audited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Issued and fully paid: 230,000,000 shares of AED 1 each	230,000,000	230,000,000

13 Contingent liabilities and commitments

	(Un-audited) 30 June 2018 AED	(Audited) 31 December 2017 AED
Letters of guarantee	17,822,809	68,218,662

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

14 Earnings per share

	Three-month period ended		Six-month period ended	
	30 June		30 June	
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	2018	2017	2018	2017
Profit for the period attributable to equity holders of the Company (AED)	9,678,502	6,842,293	19,556,838	12,205,600
Weighted average number of shares	230,000,000	230,000,000	230,000,000	230,000,000
Basic earnings per share (AED)	0.04	0.03	0.09	0.05

Basic earnings per share are calculated by dividing the profit for the period attributable to shareholders by the weighted average number of shares outstanding at reporting date. There is no dilution impact on basic earnings per share.

15 Related party transactions

The Company 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 Company, 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 the reporting date, amounts due from/to related parties were as follows:

	(Un-audited)	(Audited)
	30 June	31 December
	2018	2017
	AED	AED
Included in due from related parties		
Due from related parties	109,116,272	106,966,596
Due from shareholders	2,771,632	3,460,718
Less: Provision for doubtful debts from a related party	(6,352,500)	(6,352,500)
	105,535,404	104,074,814
Due to related parties	-	91,800
Included in insurance contract liabilities		
Gross outstanding claims	2,071,437	828,577

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

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

	Three-month period ended		Six-month period ended	
	30 June		30 June	
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	2018	2017	2018	2017
	AED	AED	AED	AED
Gross premium	1,684,585	5,452,266	3,335,740	7,119,374
Claims paid	487,366	722,533	882,741	1,468,537
Compensation of key management personnel				
Salaries and benefits	1,471,615	2,114,132	3,385,944	4,226,259

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

16 Segment information

Operating segment 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.

	General insurance		Life insurance		Total	
	30 June	31 December	30 June	31 December	30 June	31 December
	2018	2017	2018	2017	2018	2017
	AED	AED	AED	AED	AED	AED
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
ASSETS						
Property and equipment	6,287,711	6,434,985	131,372	140,130	6,419,083	6,575,115
Investment in associates	166,813,756	165,746,393	-	-	166,813,756	165,746,393
Investment in financial assets at FVTPL	50,996,148	53,500,127	-	-	50,996,148	53,500,127
Investment properties	173,873,584	172,602,503	-	-	173,873,584	172,602,503
Insurance receivables	148,359,832	132,354,813	7,140,753	1,712,004	155,500,585	134,066,817
Reinsurer share of outstanding claims	106,506,005	140,811,962	3,498,073	2,582,038	110,004,078	143,394,000
Reinsurer share of incurred but not reported claims (IBNR)	13,366,000	14,309,000	1,370,000	1,527,000	14,736,000	15,836,000
Reinsurer share of unearned premium reserve	66,092,000	50,732,000	7,189,000	3,534,000	73,281,000	54,266,000
Due from related parties	104,779,402	103,858,528	756,002	216,286	105,535,404	104,074,814
Other receivables and prepayments	20,945,427	18,133,200	-	-	20,945,427	18,133,200
Security deposits	569,393	667,775	-	-	569,393	667,775
Cash and bank balances	197,247,689	230,748,629	8,500,000	8,500,000	205,747,689	239,248,629
Asset held for sale	538,368	1,693,322	-	-	538,368	1,693,322
Total assets	<u>1,056,375,315</u>	<u>1,091,593,237</u>	<u>28,585,200</u>	<u>18,211,458</u>	<u>1,084,960,515</u>	<u>1,109,804,695</u>

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

16 Segment information (continued)

	General insurance		Life insurance		Total	
	30 June	31 December	30 June	31 December	30 June	31 December
	2018	2017	2018	2017	2018	2017
	AED	AED	AED	AED	AED	AED
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
LIABILITIES						
Due to related parties	-	91,800	-	-	-	91,800
Provision for employees' end of service indemnity	13,980,098	13,996,351	310,718	298,182	14,290,816	14,294,533
Bank borrowings	130,607,423	125,421,763	-	-	130,607,423	125,421,763
Insurance and other payables	103,892,388	132,299,198	6,236,396	2,445,136	110,128,784	134,744,334
Outstanding claims reserve	131,011,739	161,391,398	3,961,440	2,918,582	134,973,179	164,309,980
Incurred but not reported claims (IBNR) reserve	42,470,000	41,751,000	1,445,000	1,575,000	43,915,000	43,326,000
Unearned premium reserve	189,097,000	165,039,000	6,873,000	3,481,000	195,970,000	168,520,000
Unexpired risk reserve	489,000	804,000	844,000	329,000	1,333,000	1,133,000
Unallocated loss adjustment expense reserve	3,054,000	2,751,000	103,000	91,000	3,157,000	2,842,000
Total liabilities	<u>614,601,648</u>	<u>643,545,510</u>	<u>19,773,554</u>	<u>11,137,900</u>	<u>634,375,202</u>	<u>654,683,410</u>
EQUITY						
Share capital					230,000,000	230,000,000
Statutory reserve					67,257,868	67,257,868
General reserve					100,000,000	100,000,000
Retained earnings					<u>53,327,445</u>	<u>57,863,417</u>
Total equity					<u>450,585,313</u>	<u>455,121,285</u>
Total liabilities and equity					<u>1,084,960,515</u>	<u>1,109,804,695</u>

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

16 Segment information (continued)

Operating segment information

	Six-month period ended 30 June					
	General insurance		Life insurance		Total	
	2018	2017	2018	2017	2018	2017
	AED	AED	AED	AED	AED	AED
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Underwriting income						
Gross insurance premium	191,261,869	212,780,938	9,763,264	11,389,379	201,025,133	224,170,317
Less: reinsurance share of gross premium	(79,906,061)	(91,924,377)	(9,336,528)	(10,714,224)	(89,242,589)	(102,638,601)
Less: Reinsurance share of ceded business premium	(913,186)	(1,723,009)	-	-	(913,186)	(1,723,009)
Net retained premium	110,442,622	119,133,552	426,736	675,155	110,869,358	119,808,707
Net change in unearned premium reserve	(8,698,000)	(5,250,288)	263,000	262,000	(8,435,000)	(4,988,288)
Net insurance premium	101,744,622	113,883,264	689,736	937,155	102,434,358	114,820,419
Commission earned	31,071,742	33,621,418	4,962,508	5,574,391	36,034,250	39,195,809
Commission incurred	(15,849,482)	(16,961,557)	(876,829)	(982,776)	(16,726,311)	(17,944,333)
Net underwriting income	116,966,882	130,543,125	4,775,415	5,528,770	121,742,297	136,071,895
Gross claims paid	(144,583,306)	(173,230,925)	(753,944)	(3,837,356)	(145,337,250)	(177,068,281)
Insurance claims recovered from reinsurers	68,792,276	58,705,054	647,166	3,441,423	69,439,442	62,146,477
Net claims paid	(75,791,030)	(114,525,871)	(106,778)	(395,933)	(75,897,808)	(114,921,804)
Decrease / (increase) in provision for outstanding claims	30,379,659	37,650,875	(1,042,858)	(2,813,964)	29,336,801	34,836,911
(Decrease) / increase in reinsurer share of outstanding claims	(34,305,957)	(22,329,901)	916,035	2,533,641	(33,389,922)	(19,796,260)
Decrease / (increase) in unexpired risk reserve	315,000	35,000	(515,000)	(530,000)	(200,000)	(495,000)
increase in incurred but not reported claims (IBNR) reserve	(1,662,000)	(386,677)	(27,000)	(127,000)	(1,689,000)	(513,677)
(Increase) / decrease in unallocated loss adjustment expense reserve	(303,000)	298,000	(12,000)	(101,000)	(315,000)	197,000
Net claims incurred	(81,367,328)	(99,258,574)	(787,601)	(1,434,256)	(82,154,929)	(100,692,830)
Underwriting profit	35,599,554	31,284,551	3,987,814	4,094,514	39,587,368	35,379,065

Al-Sagr National Insurance Company (Public Shareholding Company)

Notes to the condensed interim financial information (continued)

16 Segment information (continued)

	Six-month period ended 30 June	
	(Un-audited) 2018	(Un-audited) 2017
Underwriting profit (continued)	39,587,368	35,379,065
Net investments loss	(3,177,523)	(3,505,212)
Share of profits from equity accounted investees	1,067,363	1,003,675
General and administrative expenses	(17,920,370)	(20,941,635)
Profit for the period	19,556,838	11,935,893

17 Dividend

Dividends of AED 0.05 per share (2017: AED 0.05 per share) amounting to AED 11.5 million relating to the year 2017 were approved by the shareholders at the Annual General Meeting held on 17 April 2018 and paid during the paid.

18 Other matters

As at 30 June 2018, the Company has no exposure in Abraaj Holdings, or any of its subsidiaries, or any of its funds.

19 Comparative figures

Following comparatives have been reclassified / regrouped to conform to the presentation adopted in the condensed interim financial information.

For the six-month period ended 30 June 2017:

	As previously reported AED	Reclassification AED	Reclassified AED
Gross claims paid	(170,609,709)	6,458,572	(177,068,281)
Provision for outstanding claims	28,378,339	(6,458,572)	34,836,911