

**Al Buhaira National Insurance Company P.S.C.  
and its Subsidiary**

**Condensed Consolidated Interim Financial Statements (Unaudited)  
For the three months period ended 31 March 2020**

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

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**Review Report of the Independent Auditor**  
**To the Board of Directors of Al Buhaira National Insurance Company P.S.C.**  
**and its subsidiary**

**Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Al Buhaira National Insurance Company P.S.C. and its subsidiary (the “Group”) as of 31 March 2020 and the related condensed consolidated interim statement of income, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

**Scope of review**

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

**Conclusion**

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

  
**GRANT THORNTON**  
**Farouk Mohamed**  
**Registration No: 86**  
**Sharjah, 25 June 2020**

  
P.O. Box: 1968  
Sharjah - U.A.E.  
GRANT THORNTON  
Audit and Accounting Limited (Sharjah Branch)

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Condensed consolidated interim statement of financial position**  
**As at 31 March 2020**

	Notes	31 March 2020 AED (Unaudited)	31 December 2019 AED (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	6,982,938	7,676,041
Investment properties	5	888,119,000	888,119,000
Investments in securities at FVTOCI	6	20,828,960	24,586,822
Statutory deposit	7	10,000,000	10,000,000
<b>Total non-current assets</b>		<b>925,930,898</b>	<b>930,381,863</b>
<b>Current assets</b>			
Reinsurance contract assets	8	724,018,786	403,198,915
Insurance and other receivables	9	804,844,479	356,439,383
Bank balances and cash	10	287,500,376	317,623,980
<b>Total current assets</b>		<b>1,816,363,641</b>	<b>1,077,262,278</b>
<b>Total assets</b>		<b>2,742,294,539</b>	<b>2,007,644,141</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	250,000,000	250,000,000
Statutory reserve		117,224,409	117,224,409
Voluntary reserve		200,000,000	200,000,000
Cumulative changes in fair value		(21,832,465)	(20,371,157)
Retained earnings		124,101,848	107,313,233
<b>Total Equity</b>		<b>669,493,792</b>	<b>654,166,485</b>
<b>Non-current liabilities</b>			
Provision for employees' end of service benefit		39,836,848	39,004,770
Bank borrowings	12	275,354,189	286,712,089
Lease liability	16	-	8,411
<b>Total non-current liabilities</b>		<b>315,191,037</b>	<b>325,725,270</b>
<b>Current liabilities</b>			
Insurance contract liabilities	8	943,022,206	577,292,445
Insurance and other payables		676,254,846	329,564,965
Lease liability	16	1,800,204	2,594,181
Bank borrowings	12	136,532,454	118,300,795
<b>Total current liabilities</b>		<b>1,757,609,710</b>	<b>1,027,752,386</b>
<b>Total liabilities</b>		<b>2,072,800,747</b>	<b>1,353,477,656</b>
<b>Total equity and liabilities</b>		<b>2,742,294,539</b>	<b>2,007,644,141</b>

  
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 Chairman

The accompanying notes from 1 to 24 form an integral part of these condensed consolidated interim financial statements.

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Condensed consolidated interim statement of income**  
**For the three months period ended 31 March 2020**

	Note	Three months period ended 31 March 2020 AED (Unaudited)	Three months period ended 31 March 2019 AED (Unaudited)
Insurance premium revenue	13	230,002,747	203,381,812
Less: Insurance premium ceded to reinsurers	13	(179,586,125)	(157,986,041)
<b>Net insurance premium revenue</b>		<b>50,416,622</b>	<b>45,395,771</b>
Gross claims incurred		(172,952,434)	(162,446,151)
Insurance claims recovered from reinsurers		130,338,429	117,479,684
<b>Net claims incurred</b>		<b>(42,614,005)</b>	<b>(44,966,467)</b>
Gross commission earned		33,317,385	38,125,689
Less: Commission incurred		(11,585,761)	(10,335,498)
<b>Net commission earned</b>		<b>21,731,624</b>	<b>27,790,191</b>
<b>Underwriting profit</b>		<b>29,534,241</b>	<b>28,219,495</b>
General and administrative expenses relating to underwriting activities		(15,660,522)	(14,529,050)
<b>Net underwriting profit</b>		<b>13,873,719</b>	<b>13,690,445</b>
Investment and other income		12,485,965	13,241,461
Finance costs – borrowings		(5,175,694)	(5,941,833)
Finance costs – lease liability		(277,838)	-
Unallocated general and administrative expenses		(1,821,518)	(1,844,105)
<b>Profit for the period</b>		<b>19,084,634</b>	<b>19,145,968</b>
<b>Basic earnings per share</b>	14	<b>0.08</b>	<b>0.08</b>

The accompanying notes from 1 to 24 form an integral part of these condensed consolidated interim financial statements.

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Condensed consolidated interim statement of comprehensive income**  
**For the three months period ended 31 March 2020**

	<b>Three months period ended 31 March 2020 AED (Unaudited)</b>	<b>Three months period ended 31 March 2019 AED (Unaudited)</b>
Profit for the period	<u>19,084,634</u>	<u>19,145,968</u>
<b>Other comprehensive loss</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Loss on sale of investments carried at FVTOCI	(2,296,019)	-
Decrease in fair value of investments carried at FVTOCI	<u>(1,461,308)</u>	<u>(2,412,212)</u>
<b>Other comprehensive loss for the period</b>	<u>(3,757,327)</u>	<u>(2,412,212)</u>
<b>Total comprehensive income for the period</b>	<u><u>15,327,307</u></u>	<u><u>16,733,756</u></u>

The accompanying notes from 1 to 24 form an integral part of these condensed consolidated interim financial statements.

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Condensed consolidated interim statement of changes in equity**  
**For the three months period ended 31 March 2020**

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Cumulative changes in fair value of financial assets at FVTOCI AED	Retained earnings AED	Total AED
Balance at 31 December 2018 (Audited)	250,000,000	115,017,742	200,000,000	(21,109,373)	91,396,253	635,304,622
Profit for the period	-	-	-	-	19,145,968	19,145,968
Other comprehensive loss for the period	-	-	-	(2,412,212)	-	(2,412,212)
Total comprehensive income for the period	-	-	-	(2,412,212)	19,145,968	16,733,756
Balance at 31 March 2019 (Unaudited)	250,000,000	115,017,742	200,000,000	(23,521,585)	110,542,221	652,038,378
<b>Balance at 31 December 2019 (Audited)</b>	<b>250,000,000</b>	<b>117,224,409</b>	<b>200,000,000</b>	<b>(20,371,157)</b>	<b>107,313,233</b>	<b>654,166,485</b>
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,084,634</b>	<b>19,084,634</b>
<b>Other comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,757,327)</b>	<b>-</b>	<b>(3,757,327)</b>
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,757,327)</b>	<b>19,084,634</b>	<b>15,327,307</b>
<b>Transfer to retained earnings on sale of investments at FVTOCI</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,296,019</b>	<b>(2,296,019)</b>	<b>-</b>
<b>Balance at 31 March 2020 (Unaudited)</b>	<b>250,000,000</b>	<b>117,224,409</b>	<b>200,000,000</b>	<b>(21,832,465)</b>	<b>124,101,848</b>	<b>669,493,792</b>

The accompanying notes from 1 to 24 form an integral part of these condensed consolidated interim financial statements.

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Condensed consolidated interim statement of cash flows**  
**For the three months period ended 31 March 2020**

	Three months period ended 31 March 2020 AED (Unaudited)	Three months period ended 31 March 2019 AED (Unaudited)
<b>Cash flows from operating activities</b>		
Profit for the period	19,084,634	19,145,968
Adjustments for:		
Depreciation of property and equipment	918,681	240,696
Interest income on deposits	(2,750,310)	(2,736,250)
Dividend income	(5,074)	(129,904)
Net rental income from investment properties	(9,730,581)	(10,353,669)
Provision for employees' end of service indemnity	846,867	678,470
Finance costs	5,453,532	5,941,833
<b>Operating cash flows before changes in operating assets and Liabilities</b>	<b>13,817,749</b>	<b>12,787,144</b>
<b>Change in working capital</b>		
Reinsurance contract assets	(320,819,871)	(365,145,201)
Insurance and other receivables	(448,405,096)	(413,349,480)
Insurance contract liabilities	365,729,761	420,038,546
Insurance and other payables	346,689,881	334,232,956
<b>Cash used in operating activities</b>	<b>(42,987,576)</b>	<b>(11,436,035)</b>
Employees' end of service indemnity paid	(14,789)	(39,319)
<b>Net cash used in operating activities</b>	<b>(43,002,365)</b>	<b>(11,475,354)</b>
<b>Cash flows from investing activities</b>		
Fixed deposit under lien and with maturity of more than three months	(904,757)	(816,728)
Margin deposits	-	-
Purchase of investments	(2,037,803)	-
Proceeds from sale of investments at FVTOCI	2,038,338	1,607,570
Purchase of property and equipment	(225,578)	(459,167)
Interest received	2,750,310	2,736,250
Dividends received	5,074	129,904
Net rental income from investment properties	9,730,581	10,353,669
<b>Net cash generated from investing activities</b>	<b>11,356,165</b>	<b>13,551,498</b>
<b>Cash flows from financing activities</b>		
Bank borrowings – net	6,873,759	(1,308,213)
Interest costs paid	(5,453,532)	(5,941,833)
Payments of lease liability	(802,388)	-
<b>Net cash generated from/(used in) financing activities</b>	<b>617,839</b>	<b>(7,250,046)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(31,028,361)</b>	<b>(5,173,902)</b>
Cash and cash equivalents at the beginning of the period	48,233,523	15,672,027
<b>Cash and cash equivalents at the end of the period (Note 15)</b>	<b>17,205,162</b>	<b>10,498,125</b>

The accompanying notes from 1 to 24 form an integral part of these condensed consolidated interim financial statements.



# Al Buhaira National Insurance Company P.S.C. and its Subsidiary

## Condensed consolidated interim financial statements (Unaudited)

### Notes to the condensed consolidated interim financial statements

#### For the three months period ended 31 March 2020

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#### 1. General information

Al Buhaira National Insurance Company P.S.C (the “Company”) is incorporated as a public shareholding company by an Emiri Decree issued by His Highness, The Ruler of Sharjah on 16 May 1978. The company is subject to the regulations of UAE Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of U.A.E. and is registered in the Insurance Companies register of Insurance Authority of U.A.E. under registration Number 15. The “Group” is comprised of the Company and its subsidiary (Note 3). The address of the Company’s registered corporate office is P.O Box 6000, Sharjah, United Arab Emirates.

The principal activity of the Company is the writing of insurance of all types – other than savings and accumulation of funds. The Company operates through its head office in Sharjah and has branches in Dubai, Abu Dhabi, Al Ain, Khorfakkan, Fujairah and Ajman.

#### 2. Application of new and revised International Financial Reporting Standards (“IFRS”)

There are no new and revised IFRS that has a material impact for the company during the period.

##### New and revised IFRS not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments regarding the definition of material
- Amendments to clarify the definition of a business
- Interest rate benchmark reform
- IFRS 17: Insurance Contracts

These amendments, except for IFRS 17 do not have a significant impact on these Interim Financial Statements and therefore the disclosures have not been made. Management anticipates that IFRS 17 will be adopted in the Company’s financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Company’s financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review. Management is in the process of performing a detailed assessment as required by the Insurance Authority on implementation of IFRS 17.

#### 3. Summary of significant accounting policies

##### Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, “*Interim Financial Reporting*” and also comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group’s transactions are denominated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and investment properties.

# Al Buhaira National Insurance Company P.S.C. and its Subsidiary

## Condensed consolidated interim financial statements (Unaudited)

### Notes to the condensed consolidated interim financial statements (continued)

#### For the three months period ended 31 March 2020

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### 3. Summary of significant accounting policies (continued)

#### Basis of preparation (continued)

The accounting policies, presentation and methods in these condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2019.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's consolidated audited annual financial statements as at and for the year ended 31 December 2019. In addition, results for the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

#### Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are charged to the consolidated income statement during the financial period they are incurred

The asset's residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognized in the consolidated statement of income as an expense.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statement of income in the year the asset is derecognized.

Land is stated at its cost and is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	<u>Years</u>
Residential villa	15
Office fixture and fittings	10
Computer equipment	5
Furniture and equipment	5

#### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

# **Al Buhaira National Insurance Company P.S.C. and its Subsidiary**

## **Condensed consolidated interim financial statements (Unaudited)**

### **Notes to the condensed consolidated interim financial statements (continued)**

#### **For the three months period ended 31 March 2020**

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### **3. Summary of significant accounting policies (continued)**

#### **Investment properties (continued)**

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent valuator.

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

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

Investments in equity and debts instruments 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 recognized in other comprehensive income and accumulated in the cumulative changes in fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to income statement, but is reclassified to retained earnings.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI.

#### **Dividend income**

Dividend income on investment s in equity instruments is recognized in profit or loss when the Group's right to receive the dividend is established.

#### **Impairment of financial assets**

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.
- no impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

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 reporting date.

# Al Buhaira National Insurance Company P.S.C. and its Subsidiary

## Condensed consolidated interim financial statements (Unaudited)

### Notes to the condensed consolidated interim financial statements (continued)

#### For the three months period ended 31 March 2020

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### 3. Summary of significant accounting policies (continued)

#### Basis of consolidation

The condensed consolidated interim financial statements of Al Buhaira National Insurance Company P.S.C. and its subsidiary (the "Group") incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary).

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated interim income statement and condensed consolidated interim statement of other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Details of the Company's subsidiary at 31 March 2020 are as below:

<b>Name of subsidiary</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest and voting power held</b>	<b>Principal activity</b>
Al Buhaira Economic Investment Establishment	Sharjah, UAE	100%	Investing in economic projects

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Notes to the condensed consolidated interim financial statements (continued)**  
**For the three months period ended 31 March 2020**

**4. Property and equipment**

- Property and equipment additions during the current period amounted to AED 225,578 (Three months period ended 31 March 2019: AED 459,167).
- Depreciation charges for the current period amounted to AED 918,681 (Three months period ended 31 March 2019: AED 240,696).
- All the property and equipment are located in U.A.E.

**5. Investment properties**

Investment properties with a fair value of AED 888 million (31 December 2019: AED 888 million) were mortgaged to a bank towards credit facilities granted to the Group.

The fair value of the Group's investment properties as at 31 December 2019 were arrived at on the basis of valuations carried by independent valuers who were not related to the Group, and have appropriate qualification and recent market experience in the valuation of properties in the United Arab Emirates.

The fair value of land was determined based on acceptable approach that reflects recent transaction prices for similar properties. The fair value of buildings was determined based on using investment method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Management estimates that there has been no change in the fair value of the investment properties during the three months period ended 31 March 2020.

The rental proceeds from Al Khan, Al Nahda Tower, and Al Buhairah Corniche Tower are assigned to a bank against credit facilities granted to the Group.

Investment properties are classified as Level 3 in fair value hierarchy as at 31 March 2020 (31 December 2019: Level 3).

**6. Investment in securities at FVTOCI**

**Financial assets carried at Fair value through OCI**

The Group's financial investments at the end of reporting period are as follows:

	<b>31 March 2020</b>	31 December 2019
	<b>AED</b>	AED
	<b>(Unaudited)</b>	(Audited)
Quoted – at fair value	<b>15,626,369</b>	19,384,439
Unquoted – at fair value	<b>5,202,591</b>	5,202,383
	<b>20,828,960</b>	24,586,822
In U.A.E	<b>20,828,960</b>	24,586,822
In other GCC countries	<b>-</b>	-
	<b>20,828,960</b>	24,586,822

**7. Statutory deposit**

In accordance with the requirements of Federal Law No. 6 of 2007, on Establishment of Insurance Authority of U.A.E and Organization of its operations, the Group maintains a bank deposit of AED 10,000,000 (31 December 2019: AED 10,000,000) as a statutory deposit.

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Notes to the condensed consolidated interim financial statements (continued)**  
**For the three months period ended 31 March 2020**

<b>8. Insurance contract liabilities and reinsurance contract assets</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
	<b>AED</b>	<b>AED</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Insurance contract liabilities – gross</b>		
Claims reported unsettled	271,008,986	292,942,866
Claims incurred but not reported	66,352,282	68,314,023
Unallocated loss adjustment expense reserve	6,051,281	6,403,106
Unearned premiums	593,780,074	203,844,220
Unexpired risk reserve	5,829,583	5,788,230
	<u>943,022,206</u>	<u>577,292,445</u>
<b>Recoverable from reinsurers</b>		
Claims reported unsettled	200,746,137	217,159,953
Claims incurred but not reported	44,772,657	45,788,230
Unearned premiums	478,499,992	140,250,732
	<u>724,018,786</u>	<u>403,198,915</u>
<b>Insurance contract liabilities – net</b>		
Claims reported unsettled	70,262,849	75,782,913
Claims incurred but not reported	21,579,625	22,525,793
Unallocated loss adjustment expense reserve	6,051,281	6,403,106
Unearned premiums	115,280,082	63,593,488
Unexpired risk reserve	5,829,583	5,788,230
	<u>219,003,420</u>	<u>174,093,530</u>
<b>9. Insurance and other receivables</b>		
	<b>31 March 2020</b>	<b>31 December 2019</b>
	<b>AED</b>	<b>AED</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Receivables arising from insurance and reinsurance contracts</b>		
Due from policy holders	732,625,909	270,668,056
Due from reinsurance companies	26,659,374	34,944,432
Due from insurance companies	72,971,597	81,215,865
Provision for impairment of financial assets	(56,607,518)	(56,607,518)
	<u>775,649,362</u>	<u>330,220,835</u>
<b>Other receivables</b>		
Staff receivables	3,866,147	4,035,852
Rent receivable	7,729,288	7,978,207
Prepayments and others	17,599,682	14,204,489
	<u>804,844,479</u>	<u>356,439,383</u>

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Notes to the condensed consolidated interim financial statements (continued)**  
**For the three months period ended 31 March 2020**

**9. Insurance and other receivables (continued)**

	31 March 2020 AED (Unaudited)	31 December 2019 AED (Audited)
<b>Movement in provision for credit loss:</b>		
Balance at the beginning of the period/year	56,607,518	56,607,518
Charges during the period/year	-	-
	<u>56,607,518</u>	<u>56,607,518</u>

**10. Bank balances and cash**

	31 March 2020 AED (Unaudited)	31 December 2019 AED (Audited)
Cash on hand	115,921	94,693
<b>Bank balances:</b>		
Current accounts	13,747,120	42,909,212
Call accounts	3,342,121	5,229,618
Margin deposits	873,000	873,000
Fixed deposits	269,422,214	268,517,457
	<u>287,500,376</u>	<u>317,623,980</u>

Fixed deposits amounting to AED 107 million (31 December 2019: AED 96 million) are under lien in respect of bank credit facilities granted to the Group. All fixed deposits are held in local banks in the United Arab Emirates.

**11. Share capital**

	31 March 2020 AED (Unaudited)	31 December 2019 AED (Audited)
Issued and fully paid:		
250,000,000 ordinary shares of AED 1 each (31 December 2019: 250,000,000 ordinary shares of AED 1 each)	<u>250,000,000</u>	<u>250,000,000</u>

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**Notes to the condensed consolidated interim financial statements (continued)**  
**For the three months period ended 31 March 2020**

**12. Bank borrowings**

	31 March 2020 AED (Unaudited)	31 December 2019 AED (Audited)
Bank overdraft	61,253,107	43,021,447
Term loans	350,633,536	361,991,437
	<u>411,886,643</u>	<u>405,012,884</u>
<b>Bank borrowings are payable as follows:</b>		
On demand or within one year	136,532,454	118,300,795
In the second year	78,079,348	78,079,348
In the third and subsequent years	197,274,841	208,632,741
	<u>411,886,643</u>	<u>405,012,884</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(136,532,454)</u>	<u>(118,300,795)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>275,354,189</u>	<u>286,712,089</u>

Main features of bank borrowings:

- Bank loans are obtained to finance the construction of investment properties.
- Bank overdraft is payable on demand.

At 31 March 2020, bank borrowings were secured by lien on fixed deposits amounting to AED 107 million (31 December 2019: AED 96 million) and mortgage of investment properties with fair value of AED 853 million (31 December 2019: AED 853 million) and assignment of rental proceeds from certain investments properties against bank credit facilities granted to the Group.

**13. Net insurance premium revenue**

	Three months period ended 31 March 2020 AED (Unaudited)	Three months period ended 31 March 2019 AED (Unaudited)
<b>Insurance premium revenue</b>		
Gross premium written	619,938,601	544,766,194
Change in unearned premium	(389,935,854)	(341,384,382)
	<u>230,002,747</u>	<u>203,381,812</u>
<b>Insurance premium ceded to reinsurance</b>		
Reinsurance premium ceded	(517,835,385)	(457,320,493)
Change in unearned premium	338,249,260	299,334,452
	<u>(179,586,125)</u>	<u>(157,986,041)</u>
<b>Net insurance premium revenue</b>	<u>50,416,622</u>	<u>45,395,771</u>



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**14. Basic earnings per share**

	Three months period ended 31 March 2020 AED (Unaudited)	Three months period ended 31 March 2019 AED (Unaudited)
Profit for the period (in AED)	19,084,634	19,145,968
Weighted average number of shares	<u>250,000,000</u>	<u>250,000,000</u>
Basic earnings per share (in AED)	<u>0.08</u>	<u>0.08</u>

**15. Cash and cash equivalents**

	31 March 2020 AED (Unaudited)	31 March 2019 AED (Audited)
Bank balances and cash	287,500,376	224,841,782
Less: Deposits under lien	(107,100,223)	(68,453,054)
Fixed deposits on maturity of more than three months	(162,321,991)	(145,017,603)
Margin deposits	<u>(873,000)</u>	<u>(873,000)</u>
	<u>17,205,162</u>	<u>10,498,125</u>

**16. Lease Liability**

Lease liabilities are presented in the statement of financial position as follows:

	31 March 2020 AED (Unaudited)	31 December 2019 AED (Audited)
Current	1,800,204	2,594,181
Non-current	-	8,411
	<u>1,800,204</u>	<u>2,602,592</u>

The Group has leases for the offices all in UAE. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property and equipment.

Right of use asset	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
Offices	24	1	1	24	24

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**Notes to the condensed consolidated interim financial statements (continued)**  
**For the three months period ended 31 March 2020**

**16. Lease Liability (continued)**

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 March 2020 were as follows:

	Minimum lease payments due		
	Within 1 year	1-2 year	Total
<b>March 31, 2020</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>
Lease payments	2,126,255	-	2,126,255
Finance charges	(326,051)	-	(326,051)
<b>Net present value</b>	<b>1,800,204</b>	<b>-</b>	<b>1,800,204</b>
<b>December 31, 2019</b>			
Lease payments	3,197,563	8,919	3,206,482
Finance charges	(603,382)	(508)	(603,890)
<b>Net present value</b>	<b>2,594,181</b>	<b>8,411</b>	<b>2,602,592</b>

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Notes to the condensed consolidated interim financial statements (continued)**  
**For the three months period ended 31 March 2020**

**17. Segment information**

For management purposes, the Group is organised into three business segments: life insurance, general insurance and investments.

The general insurance segment incorporates all classes of general insurance including fire, marine, medical, motor, general and others. The life insurance segment includes group life insurance.

Investments segment comprises investment in equity securities and investment properties.

These segments are the basis on which the Group reports its primary segment information to the Chief Operating Decision maker.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 to the annual audited consolidated financial statements of the Group.

	as at 31 March 2020				as at 31 December 2019			
	General insurance (Unaudited) AED	Life insurance (Unaudited) AED	Investments (Unaudited) AED	Total (Unaudited) AED	General insurance (Audited) AED	Life insurance (Audited) AED	Investments (Audited) AED	Total (Audited) AED
<b>Segment assets</b>	<b>1,527,516,096</b>	<b>28,678,982</b>	<b>1,186,099,461</b>	<b>2,742,294,539</b>	789,025,484	28,319,070	1,190,299,587	2,007,644,141
<b>Segment liabilities</b>	<b>1,694,346,984</b>	<b>23,134,131</b>	<b>355,319,632</b>	<b>2,072,800,747</b>	965,689,359	22,574,539	365,213,758	1,353,477,656

There are no transactions between the business segments.

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
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**Notes to the condensed consolidated interim financial statements (continued)**  
**For the three months period ended 31 March 2020**

**17. Segment information (continued)**

For the three months period ended 31 March 2020 (Unaudited)

	Marine AED	Fire AED	Accident & Liabilities AED	General & Others AED	Group Life AED	Total Insurance AED	Investments AED	Total AED
Segment revenue – gross	8,322,239	13,139,961	80,125,668	125,990,022	2,424,857	230,002,747	-	230,002,747
Segment result – net	4,868,634	1,034,319	5,671,761	2,415,608	(116,603)	13,873,719	12,485,965	26,359,684
Unallocated costs								(7,275,050)
Profit for the period								19,084,634

For the three months period ended 31 March 2019 (Unaudited)

	Marine AED	Fire AED	Accident & Liabilities AED	General & Others AED	Group Life AED	Total Insurance AED	Investments AED	Total AED
Segment revenue – gross	9,738,875	9,583,152	69,892,081	111,735,040	2,432,664	203,381,812	-	203,381,812
Segment result – net	5,103,007	1,782,539	7,667,553	(1,649,099)	786,445	13,690,445	13,241,461	26,931,906
Unallocated costs								(7,785,938)
Profit for the period								19,145,968

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Notes to the condensed consolidated interim financial statements (continued)**  
**For the three months period ended 31 March 2020**

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**18. Related party balances and transactions**

Related parties include the Group's major shareholders, directors and businesses controlled by them and their families over which they exercise significant influence as well as key management personnel.

**18.1 Due from/to related parties**

At the end of reporting period, amounts due from/to related parties included under due from policy holders and gross outstanding claims were as follows:

	<b>31 March 2020</b>	31 December 2019
	<b>AED</b>	AED
	<b>(Unaudited)</b>	(Audited)
Due from policy holders	40,419,371	39,459,457
Gross outstanding claims	7,871,368	7,974,881

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received and no expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**18.2 Transactions:**

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

	<b>Three months period ended 31 March</b>	
	<b>2020</b>	2019
	<b>AED</b>	AED
	<b>(Unaudited)</b>	(Unaudited)
Gross premium	1,045,900	421,216
Claims paid	430,669	321,390

Premiums are charged to related parties at rates agreed with the management.

**Compensations of key management staff and Board of Directors**

	<b>Three months period ended 31 March</b>	
	<b>2020</b>	2020
	<b>AED</b>	AED
	<b>(Unaudited)</b>	(Unaudited)
Key management staff:		
Short-term benefits	852,975	852,975
Long-term benefits	53,525	53,525

**19. Seasonality of results**

Investment income includes dividend income of AED 5,073 for the three months period ended 31 March 2020 (Three months period ended 31 March 2019: AED 129,904), which is of a seasonal nature.

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Notes to the condensed consolidated interim financial statements (continued)**  
**For the three months period ended 31 March 2020**

**20. Commitments and contingent liabilities**

	31 March 2020 AED (Unaudited)	31 December 2019 AED (Audited)
Letters of guarantee	16,698,686	17,646,854

**21. Fair value measurement**

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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

*Fair value of financial instruments carried at amortised cost*

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial statements approximate their fair values.

*Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair values of financial and non-financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2019.

*Fair value of the Group's financial assets that are measured at fair value on recurring basis*

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets	Fair value as at 31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity securities – FVTOCI	15,626,369	19,384,439	Level 1	Quoted bid prices in an active market.	None.	NA.
Unquoted equity securities – FVTOCI	5,202,591	5,202,383	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
	<u>20,828,960</u>	<u>24,586,822</u>				

**Al Buhaira National Insurance Company P.S.C. and its Subsidiary**  
**Condensed consolidated interim financial statements (Unaudited)**

**Notes to the condensed consolidated interim financial statements (continued)**  
**For the three months period ended 31 March 2020**

**21. Fair value measurement (continued)**

Fair value measurements recognised in the condensed statement of financial position

The following table provides an analysis of financial assets and non-financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**31 March 2020 (Unaudited)**

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<b>Financial assets at FVTOCI</b>				
Quoted equities	15,626,369	-	-	15,626,369
Unquoted equities	-	-	5,202,591	5,202,591
<b>Investment properties</b>	-	-	888,119,000	888,119,000
	<b>15,626,369</b>	<b>-</b>	<b>893,321,591</b>	<b>908,947,960</b>

**31 December 2019 (Audited)**

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<b>Financial assets at FVTOCI</b>				
Quoted equities	19,384,439	-	-	19,384,439
Unquoted equities	-	-	5,202,383	5,202,383
<b>Investment properties</b>	-	-	888,119,000	888,119,000
	<b>19,384,439</b>	<b>-</b>	<b>893,321,383</b>	<b>912,705,822</b>

There was no transfer between the levels during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

**22. Dividends**

At the annual general meeting held on 23 March 2020, the Shareholders didn't approve any cash dividend for 2019 (31 March 2019: Nil for 2018) and no Board of Directors' remuneration (31 March 2019: Nil).

# Al Buhaira National Insurance Company P.S.C. and its Subsidiary

## Condensed consolidated interim financial statements (Unaudited)

### Notes to the condensed consolidated interim financial statements (continued)

For the three months period ended 31 March 2020

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#### **23. Significant event – (COVID-19)**

During the three months period ended 31 March 2020, there was an outbreak of a global pandemic (COVID-19), causing significant disruption to economies & businesses across the globe including the Group. As this is evolving, we do not consider it is practicable to provide an estimate of the potential impact of this outbreak on the Group.

The impact of this outbreak on the macroeconomic forecasts did not have a significant impact in the Group's IFRS 9 estimates of expected credit loss provisions at March 31, 2020. Management will continue to monitor the situation and assess the impact of this outbreak throughout the year.

#### **24. Approval of condensed consolidated financial statements**

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 25 June 2020.