

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

**Condensed consolidated interim financial
statements (Unaudited)
For the Six months period ended 30 June 2020**

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

Table of contents

	Page
Report on review of interim financial information	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim statement of income	3
Condensed consolidated interim statement of comprehensive income	4
Condensed consolidated interim statement of changes in equity	5
Condensed consolidated interim statement of cash flows	6
Notes to the condensed consolidated interim financial statements	7



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Report on review of interim financial information 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. (the "Company") and its subsidiary (the "Group") as of 30 June 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 six 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, August 12, 2020.



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 30 June 2020

	Notes	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
ASSETS			
Non-current assets			
Property and equipment	4	6,606,457	7,676,041
Investment properties	5	888,119,000	888,119,000
Investments in securities at FVTOCI	6	20,738,941	24,586,822
Statutory deposit	7	10,000,000	10,000,000
Total non-current assets		925,464,398	930,381,863
Current assets			
Reinsurance contract assets	8	599,277,056	403,198,915
Insurance and other receivables	9	625,314,372	356,439,383
Bank balances and cash	10	325,071,455	317,623,980
Total current assets		1,549,662,883	1,077,262,278
TOTAL ASSETS		2,475,127,281	2,007,644,141
EQUITY AND LIABILITIES			
Equity			
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		(21,481,179)	(20,371,157)
Retained earnings		133,462,815	107,313,233
Total Equity		679,206,045	654,166,485
Non-current liabilities			
Provision for employees' end of service benefit		37,484,518	39,004,770
Bank borrowings	12	262,807,702	286,712,089
Lease liability	16	-	8,411
Total non-current liabilities		300,292,220	325,725,270
Current liabilities			
Insurance contract liabilities	8	798,695,073	577,292,445
Insurance and other payables		578,858,263	329,564,965
Lease liability	16	1,090,085	2,594,181
Bank borrowings	12	116,985,595	118,300,795
Total current liabilities		1,495,629,016	1,027,752,386
Total liabilities		1,795,921,236	1,353,477,656
TOTAL EQUITY AND LIABILITIES		2,475,127,281	2,007,644,141

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 six months period ended 30 June 2020

	Notes	(unaudited) Three months period ended 30 June 2020 AED	(unaudited) Three months period ended 30 June 2019 AED	(unaudited) Six months period ended 30 June 2020 AED	(unaudited) Six months period ended 30 June 2019 AED
Insurance premium revenue	13	227,436,654	214,551,628	457,439,401	417,933,440
Less: Insurance premium ceded to reinsurers	13	(182,174,704)	(169,636,135)	(361,760,829)	(327,622,176)
Net insurance premium revenue		45,261,950	44,915,493	95,678,572	90,311,264
Gross claims incurred		(154,077,344)	(194,653,453)	(327,029,778)	(357,099,604)
Insurance claims recovered from reinsurers		125,321,826	155,775,228	255,660,255	273,254,912
Net claims incurred		(28,755,518)	(38,878,225)	(71,369,523)	(83,844,692)
Gross commission earned		9,983,018	17,019,505	43,300,403	55,145,194
Less: Commission incurred		(13,005,296)	(10,064,972)	(24,591,057)	(20,400,470)
Net commission earned		(3,022,278)	6,954,533	18,709,346	34,744,724
Underwriting profit		13,484,154	12,991,801	43,018,395	41,211,296
General and administrative expenses relating to underwriting activities		(9,255,816)	(10,639,557)	(24,916,338)	(25,168,607)
Net underwriting profit		4,228,338	2,352,244	18,102,057	16,042,689
Investment and other income		11,785,009	12,264,653	24,270,974	25,506,114
Finance costs		(4,301,014)	(6,456,105)	(9,476,708)	(12,397,938)
Finance costs - Lease		(186,903)	-	(464,741)	-
Unallocated general and administrative expenses		(2,164,455)	(1,162,744)	(3,985,973)	(3,006,849)
Profit for the period		9,360,975	6,998,048	28,445,609	26,144,016
Basic earnings per share	14	0.04	0.03	0.11	0.10

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 six months period ended 30 June 2020

	(unaudited) Three months period ended 30 June 2020 AED	(unaudited) Three months period ended 30 June 2019 AED	(unaudited) Six months period ended 30 June 2020 AED	(unaudited) Six months period ended 30 June 2019 AED
Profit for the period	<u>9,360,975</u>	<u>6,998,048</u>	<u>28,445,609</u>	<u>26,144,016</u>
Other comprehensive income/(loss)				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Change in fair value of investments carried at FVTOCI	351,286	653,228	(1,110,022)	(1,758,984)
Loss on sale of investments carried at FVTOCI	<u>(8)</u>	<u>(1,492,232)</u>	<u>(2,296,027)</u>	<u>(1,492,232)</u>
Other comprehensive income/(loss) for the period	<u>351,278</u>	<u>(839,004)</u>	<u>(3,406,049)</u>	<u>(3,251,216)</u>
Total comprehensive income for the period	<u>9,712,253</u>	<u>6,159,044</u>	<u>25,039,560</u>	<u>22,892,800</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 six months period ended 30 June 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	(21,109,372)	91,396,253	635,304,623
Profit for the year	-	-	-	-	26,144,016	26,144,016
Other comprehensive loss for the period	-	-	-	(3,251,216)	-	(3,251,216)
Total comprehensive income for the period	-	-	-	(3,251,216)	26,144,016	22,892,800
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	1,492,232	(1,492,232)	-
Balance at 30 June 2019 (Unaudited)	250,000,000	115,017,742	200,000,000	(22,868,356)	116,048,037	658,197,423
Balance at 31 December 2019 (Audited)	250,000,000	117,224,409	200,000,000	(20,371,157)	107,313,233	654,166,485
Profit for the period	-	-	-	-	28,445,609	28,445,609
Other comprehensive loss for the period	-	-	-	(3,406,049)	-	(3,406,049)
Total comprehensive income for the period	-	-	-	(3,406,049)	28,445,609	25,039,560
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	2,296,027	(2,296,027)	-
Balance at 30 June 2020 (Unaudited)	250,000,000	117,224,409	200,000,000	(21,481,179)	133,462,815	679,206,045

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 six months period ended 30 June 2020

	(Unaudited) Six months period ended 30 June 2020 AED	(Unaudited) Six months period ended 30 June 2019 AED
Cash flows from operating activities		
Profit for the period	28,445,609	26,144,016
Adjustments for:		
Depreciation of property and equipment	1,684,795	463,352
Interest income on deposits	(5,406,688)	(4,875,564)
Dividend income	(593,191)	(506,824)
Net rental income from investment properties	(18,271,095)	(20,098,292)
Provision for employees' end of service indemnity	711,130	1,697,868
Finance costs	9,941,449	12,397,938
Operating cash flows before changes in working capital	16,512,009	15,222,494
Change in working capital		
Reinsurance contract assets	(196,078,141)	(345,978,207)
Insurance and other receivables	(268,874,989)	(277,030,484)
Insurance contract liabilities	221,402,628	386,065,591
Insurance and other payables	249,293,298	314,262,184
Cash generated from operating activities	22,254,805	92,541,578
Employees' end of service indemnity paid	(2,231,382)	(135,592)
Net cash generated from operating activities	20,023,423	92,405,986
Cash flows from investing activities		
Fixed deposit under lien and with maturity of more than three months	(4,535,743)	(36,070,485)
Purchase of investments at FVTOCI	(2,037,803)	-
Proceeds from sale of investments at FVTOCI	2,479,635	2,853,418
Purchase of property and equipment	(615,211)	(579,526)
Interest received	5,406,688	4,875,564
Dividends received	593,191	506,824
Net rental income from investment properties	18,271,095	20,098,292
Net cash generated from/(used in) investing activities	19,561,852	(8,315,913)
Cash flows from financing activities		
Bank borrowings – net	(25,219,587)	(18,891,015)
Finance costs paid	(9,941,449)	(12,397,938)
Lease payments	(1,512,507)	-
Net cash used in financing activities	(36,673,543)	(31,288,953)
Net change in cash and cash equivalents	2,911,732	52,801,120
Cash and cash equivalents at the beginning of the period	48,233,523	15,672,027
Cash and cash equivalents at the end of the period (Note 15)	51,145,255	68,473,147

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 six months period ended 30 June 2020

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 Group is in process of aligning the operations with the requirement of the regulations relating to investment operations and meeting solvency requirements.

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.

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.

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 six months period ended 30 June 2020

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

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 six months period ended 30 June 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
Right of use	Lease term

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.

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.

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 six months period ended 30 June 2020

3. Summary of significant accounting policies (continued)

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

At initial recognition, the Group 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 investments 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.

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.

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 six months period ended 30 June 2020

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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 30 June 2020 and 31 December 2019 are as below:

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

4. Property and equipment

- Property and equipment additions during the current period amounted to AED 615,211 (Six months period ended 30 June 2019: AED 579,526).
- Depreciation charges for the current period amounted to AED 1,684,795 (Six months period ended 30 June 2019: AED 463,352).
- 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.

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 six months period ended 30 June 2020

5. Investment properties (continued)

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 six months period ended 30 June 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 30 June 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:

	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
Quoted – at fair value	15,536,625	19,384,439
Unquoted – at fair value	<u>5,202,316</u>	<u>5,202,383</u>
	<u>20,738,941</u>	<u>24,586,822</u>
In U.A.E	20,738,941	24,586,822
In other GCC countries	<u>-</u>	<u>-</u>
	<u>20,738,941</u>	<u>24,586,822</u>

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 six months period ended 30 June 2020

8. Insurance contract liabilities and reinsurance contract assets

	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
Insurance contract liabilities – gross		
Claims reported unsettled	224,650,742	292,942,866
Claims incurred but not reported	101,530,949	68,314,023
Unallocated loss adjustment expense reserve	6,591,941	6,403,106
Unearned premiums	461,116,016	203,844,220
Unexpired risk reserve	4,805,425	5,788,230
	<u>798,695,073</u>	<u>577,292,445</u>
Recoverable from reinsurers		
Claims reported unsettled	160,836,431	217,159,953
Claims incurred but not reported	75,934,135	45,788,230
Unearned premiums	362,506,490	140,250,732
	<u>599,277,056</u>	<u>403,198,915</u>
Net		
Claims reported unsettled	63,814,311	75,782,913
Claims incurred but not reported	25,596,814	22,525,793
Unallocated loss adjustment expense reserve	6,591,941	6,403,106
Unearned premiums	98,609,526	63,593,488
Unexpired risk reserve	4,805,425	5,788,230
	<u>199,418,017</u>	<u>174,093,530</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 six months period ended 30 June 2020

9. Insurance and other receivables

	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
Receivables arising from insurance and reinsurance contracts		
Due from policy holders	540,939,984	270,668,056
Due from reinsurance companies	32,309,364	34,944,432
Due from insurance companies	73,314,841	81,215,865
Provision for credit loss	<u>(56,607,518)</u>	<u>(56,607,518)</u>
	589,956,671	330,220,835
Other receivables		
Staff receivables	4,012,437	4,035,852
Rent receivable	10,243,028	7,978,207
Prepayments and others	<u>21,102,236</u>	<u>14,204,489</u>
	<u>625,314,372</u>	<u>356,439,383</u>
	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
Movement in provision for credit loss:		
Balance at the beginning of the period/year	56,607,518	56,607,518
Charged during the period/year	<u>-</u>	<u>-</u>
	<u>56,607,518</u>	<u>56,607,518</u>
10. Bank balances and cash		
	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
Cash on hand	95,020	94,693
Bank balances:		
Current accounts	48,204,813	42,909,212
Call accounts	2,845,422	5,229,618
Margin deposits	873,000	873,000
Fixed deposits	<u>273,053,200</u>	<u>268,517,457</u>
	<u>325,071,455</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.

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 six months period ended 30 June 2020

11. Share capital

	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
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>

12. Bank borrowings

	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
Bank overdraft	39,206,247	43,021,447
Term loans	<u>340,587,050</u>	<u>361,991,437</u>
	<u>379,793,297</u>	<u>405,012,884</u>
Bank borrowings are payable as follows:		
On demand or within one year	116,985,595	118,300,795
In the second year	77,779,348	78,079,348
In the third and subsequent years	<u>185,028,354</u>	<u>208,632,741</u>
	379,793,297	405,012,884
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(116,985,595)</u>	<u>(118,300,795)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>262,807,702</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 30 June 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 888 million (31 December 2019: AED 888 million) and assignment of rental proceeds from certain investments properties against bank credit facilities granted to the Group.

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 six months period ended 30 June 2020

13. Net insurance premium revenue

	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Three months period ended 30 June 2020 AED	Three months period ended 30 June 2019 AED	Six months period ended 30 June 2020 AED	Six months period ended 30 June 2019 AED
Insurance premium revenue				
Gross premium written	94,772,596	108,519,757	714,711,197	653,285,951
Change in unearned premium	<u>132,664,058</u>	<u>106,031,871</u>	<u>(257,271,796)</u>	<u>(235,352,511)</u>
	<u>227,436,654</u>	<u>214,551,628</u>	<u>457,439,401</u>	<u>417,933,440</u>
Reinsurance premium ceded				
Reinsurance premium ceded	(66,181,202)	(81,160,542)	(584,016,587)	(538,481,035)
Change in unearned premium	<u>(115,993,502)</u>	<u>(88,475,593)</u>	<u>222,255,758</u>	<u>210,858,859</u>
	<u>(182,174,704)</u>	<u>(169,636,135)</u>	<u>(361,760,829)</u>	<u>(327,622,176)</u>
Net insurance premium revenue	<u>45,261,950</u>	<u>44,915,493</u>	<u>95,678,572</u>	<u>90,311,264</u>

14. Basic earnings per share

	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Three months period ended 30 June 2020 AED	Three months period ended 30 June 2019 AED	Six months period ended 30 June 2020 AED	Six months period ended 30 June 2019 AED
Profit for the period (in AED)	<u>9,360,975</u>	<u>6,998,048</u>	<u>28,445,609</u>	<u>26,144,016</u>
Weighted average number of shares	<u>250,000,000</u>	<u>250,000,000</u>	<u>250,000,000</u>	<u>250,000,000</u>
Basic earnings per share (in AED)	<u>0.04</u>	<u>0.03</u>	<u>0.11</u>	<u>0.10</u>

15. Cash and cash equivalents

	(Unaudited) 30 June 2020 AED	(Unaudited) 30 June 2019 AED
Bank balances and cash	325,071,455	318,070,561
Less: Deposits under lien	(107,100,223)	(69,584,554)
Fixed deposits on maturity of more than three months	(165,952,977)	(179,139,860)
Margin deposits	<u>(873,000)</u>	<u>(873,000)</u>
	<u>51,145,255</u>	<u>68,473,147</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 six months period ended 30 June 2020

16. Lease Liability

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

	30 June 2020 AED (Unaudited)	31 December 2019 AED (Audited)
Current	1,090,085	2,594,181
Non-current	-	8,411
	<u>1,090,085</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

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2020 were as follows:

	Minimum lease payments due		
	Within 1 year AED	1-2 year AED	Total AED
June 30, 2020			
Lease payments	1,229,233	-	1,229,233
Finance charges	(139,148)	-	(139,148)
Net present value	<u>1,090,085</u>	<u>-</u>	<u>1,090,085</u>
December 31, 2019			
Lease payments	3,197,563	8,919	3,206,482
Finance charges	(603,382)	(508)	(603,890)
Net present value	<u>2,594,181</u>	<u>8,411</u>	<u>2,602,592</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 six months period ended 30 June 2020**

17. Segment information

For management purposes, the Group is organised into three business segments: life assurance, 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 30 June 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
Segment assets	1,259,606,865	22,298,138	1,193,222,278	2,475,127,281	789,025,484	28,319,070	1,190,299,587	2,007,644,141
Segment liabilities	1,429,391,739	22,295,919	344,233,580	1,795,921,238	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
Condensed consolidated interim financial statements (Unaudited)**

**Notes to the condensed consolidated interim financial statements (continued)
For the six months period ended 30 June 2020**

17. Segment information (continued)

For the six months period ended 30 June 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	16,304,395	26,288,380	157,158,281	252,805,435	4,882,910	457,439,401	-	457,439,401
Segment result – net	2,859,960	2,846,401	4,405,085	7,806,375	184,236	18,102,057	24,270,974	42,373,031
Unallocated costs								(13,927,422)
Profit for the period								28,445,609

For the six months period ended 30 June 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	19,401,452	19,244,325	143,417,335	230,777,150	5,093,178	417,933,440	-	417,933,440
Segment result – net	1,808,915	3,138,703	10,356,685	404,826	333,560	16,042,689	25,506,114	41,548,803
Unallocated costs								(15,404,787)
Profit for the period								26,144,016

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 six months period ended 30 June 2020

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:

	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
Due from policy holders	39,968,231	39,459,457
Gross outstanding claims	7,541,925	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:

	(unaudited) Three months period ended 30 June 2020 AED	(unaudited) Three months period ended 30 June 2019 AED	(unaudited) Six months period ended 30 June 2020 AED	(unaudited) Six months period ended 30 June 2019 AED
Gross premium written	256,006	10,001,673	1,301,906	10,422,889
Claims paid	246,418	423,003	677,087	744,393

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

Compensations of key management staff and Board of Directors

	(unaudited) Three months period ended 30 June 2020 AED	(unaudited) Three months period ended 30 June 2019 AED	(unaudited) Six months period ended 30 June 2020 AED	(unaudited) Six months period ended 30 June 2019 AED
Key management staff:				
Short term benefits	852,975	852,975	1,705,950	1,705,950
Long term benefits	80,575	80,575	134,100	134,100
Board of Directors' remuneration	-	-	-	-

19. Seasonality of results

Investment income includes dividend income of AED 593,191 for the six months period ended 30 June 2020 (Six months period ended 30 June 2019: AED 506,824), 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 six months period ended 30 June 2020

20. Commitments and contingent liabilities

	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
Letters of guarantee	<u>16,521,686</u>	<u>17,646,854</u>

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 30 June 2020 (Unaudited) AED	Fair value as at 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	15,536,625	19,384,439	Level 1	Quoted bid prices in an active market.	None.	NA.
Unquoted equity securities – FVTOCI	5,202,316	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>20,738,941</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 six months period ended 30 June 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).

30 June 2020 (Unaudited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted equities	15,536,625	-	-	15,536,625
Unquoted equities	-	-	5,202,316	5,202,316
Investment properties	-	-	888,119,000	888,119,000
	<u>15,536,625</u>	<u>-</u>	<u>893,321,316</u>	<u>908,857,941</u>

31 December 2019 (Audited)

Financial assets at FVTOCI				
Quoted equities	19,384,439	-	-	19,384,439
Unquoted equities	-	-	5,202,383	5,202,383
Investment properties	-	-	888,119,000	888,119,000
	<u>19,384,439</u>	<u>-</u>	<u>893,321,383</u>	<u>912,705,822</u>

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 15 April 2020, the Shareholders did not approve any cash dividend for 2019 (30 June 2019: Nil for 2018) and no Board of Directors' remuneration (30 June 2019: Nil for 2018).

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 six months period ended 30 June 2020

23. Significant event – (COVID-19)

During the six months period ended 30 June 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 June 30, 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 authorized for issue on 12 August 2020.