

**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 2021

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

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Report on review of condensed interim consolidated financial statements 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 at 30 June 2021 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 and explanatory notes. 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 IAS 34.


Grant Thornton
Farouk Mohamed
Registration No: 86
Sharjah, August 9, 2021



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 2021

	Notes	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	7,956,174	9,499,004
Investment properties	5	857,393,500	857,393,500
Investments in securities at FVTOCI	6	22,357,554	20,711,683
Statutory deposit	7	10,000,000	10,000,000
Total non-current assets		897,707,228	897,604,187
Current assets			
Reinsurance contract assets	8	568,083,027	383,111,305
Insurance and other receivables	9	610,943,099	322,854,281
Bank balances and cash	10	322,013,262	317,151,662
Total current assets		1,501,039,388	1,023,117,248
TOTAL ASSETS		2,398,746,616	1,920,721,435
EQUITY AND LIABILITIES			
Equity			
Share capital	11	250,000,000	250,000,000
Statutory reserve		119,622,924	119,622,924
Voluntary reserve		200,000,000	200,000,000
Reinsurance reserve		6,296,446	3,619,051
Cumulative changes in fair value		(19,853,743)	(21,499,614)
Retained earnings		122,872,268	122,984,784
Total Equity		678,937,895	674,727,145
Non-current liabilities			
Provision for employees' end of service benefit		37,336,726	36,713,478
Bank borrowings	12	158,172,540	187,974,511
Lease liability	16	306,165	1,129,355
Total non-current liabilities		195,815,431	225,817,344
Current liabilities			
Insurance contract liabilities	8	788,091,049	535,818,778
Insurance and other payables		617,579,005	387,930,578
Lease liability	16	2,523,457	3,112,586
Bank borrowings	12	115,799,779	93,315,004
Total current liabilities		1,523,993,290	1,020,176,946
Total liabilities		1,719,808,721	1,245,994,290
TOTAL EQUITY AND LIABILITIES		2,398,746,616	1,920,721,435

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 2021

		Three months period ended 30 June 2021	Three months period ended 30 June 2020	Six months period ended 30 June 2021	Six months period ended 30 June 2020
		AED	AED	AED	AED
	Notes	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Insurance premium revenue	13	226,009,806	227,436,654	447,173,057	457,439,401
Less: Insurance premium ceded to reinsurers	13	(173,545,556)	(182,174,704)	(339,010,556)	(361,760,829)
Net insurance premium revenue		52,464,250	45,261,950	108,162,501	95,678,572
Gross claims incurred		(164,538,861)	(154,077,344)	(311,547,127)	(327,029,778)
Insurance claims recovered from reinsurers		121,121,814	125,321,826	217,137,874	255,660,255
Net claims incurred		(43,417,047)	(28,755,518)	(94,409,253)	(71,369,523)
Gross commission earned		12,534,866	9,983,018	51,829,782	43,300,403
Less: Commission incurred		(8,688,672)	(13,005,296)	(20,024,489)	(24,591,057)
Net commission earned		3,846,194	(3,022,278)	31,805,293	18,709,346
Underwriting profit		12,893,397	13,484,154	45,558,541	43,018,395
General and administrative expenses relating to underwriting activities		(9,560,339)	(9,255,816)	(24,780,789)	(24,916,338)
Net underwriting profit		3,333,058	4,228,338	20,777,752	18,102,057
Investment and other income		8,094,491	11,785,009	16,710,161	24,270,974
Finance costs		(2,616,022)	(4,301,014)	(5,433,069)	(9,476,708)
Finance costs – lease		(351,122)	(186,903)	(829,484)	(464,741)
Unallocated general and administrative expenses		(1,556,502)	(2,164,455)	(3,660,481)	(3,985,973)
Profit for the period		6,903,903	9,360,975	27,564,879	28,445,609
Basic earnings per share	14	0.03	0.04	0.11	0.11

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 2021

	Three months period ended 30 June 2021 AED (unaudited)	Three months period ended 30 June 2020 AED (unaudited)	Six months period ended 30 June 2021 AED (unaudited)	Six months period ended 30 June 2020 AED (unaudited)
Profit for the period	<u>6,903,903</u>	<u>9,360,975</u>	<u>27,564,879</u>	<u>28,445,609</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	931,751	351,286	1,645,871	(1,110,022)
Loss on sale of investments carried at FVTOCI	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>(2,296,027)</u>
Other comprehensive income/(loss) for the period	<u>931,751</u>	<u>351,278</u>	<u>1,645,871</u>	<u>(3,406,049)</u>
Total comprehensive income for the period	<u>7,835,654</u>	<u>9,712,253</u>	<u>29,210,750</u>	<u>25,039,560</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 2021

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Reinsurance reserve AED	Cumulative changes in fair value of financial assets at FVTOCI AED	Retained earnings AED	Total AED
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
Balance at 31 December 2020 (Audited)	250,000,000	119,622,924	200,000,000	3,619,051	(21,499,614)	122,984,784	674,727,145
Profit for the period	-	-	-	-	-	27,564,879	27,564,879
Other comprehensive income for the period	-	-	-	-	1,645,871	-	1,645,871
Total comprehensive income for the period	-	-	-	-	1,645,871	27,564,879	29,210,750
Transfer to reinsurance reserve	-	-	-	2,677,395	-	(2,677,395)	-
Dividends	-	-	-	-	-	(25,000,000)	(25,000,000)
Balance at 30 June 2021 (Unaudited)	250,000,000	119,622,924	200,000,000	6,296,446	(19,853,743)	122,872,268	678,937,895

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 2021

	Six months period ended 30 June 2021 AED (Unaudited)	Six months period ended 30 June 2020 AED (Unaudited)
Cash flows from operating activities		
Profit for the period	27,564,879	28,445,609
Adjustments for:		
Depreciation of property and equipment	1,701,678	1,684,795
Interest income on deposits	(4,342,903)	(5,406,688)
Dividend income	(692,716)	(593,191)
Net rental income from investment properties	(11,640,072)	(18,271,095)
Gain on disposal of property and equipment	(2,500)	-
Provision for employees' end of service indemnity	936,528	711,130
Finance costs	6,262,553	9,941,449
Other income	(31,970)	-
Operating cash flows before changes in working capital	19,755,477	16,512,009
Change in working capital		
Reinsurance contract assets	(184,971,722)	(196,078,141)
Insurance and other receivables	(288,088,818)	(268,874,989)
Insurance contract liabilities	252,272,271	221,402,628
Insurance and other payables	229,648,427	249,293,298
Cash generated from operating activities	28,615,635	22,254,805
Employees' end of service benefits paid	(313,280)	(2,231,382)
Net cash generated from operating activities	28,302,355	20,023,423
Cash flows from investing activities		
Fixed deposit under lien and with maturity of more than three months	(15,550,088)	(4,535,743)
Increase in margin deposits	126,000	-
Purchase of investments at FVTOCI	-	(2,037,803)
Proceeds from sale of investments at FVTOCI	-	2,479,635
Purchase of property and equipment	(158,848)	(615,211)
Proceeds from sale of property and equipment	2,500	-
Interest received	4,342,903	5,406,688
Dividends received	692,716	593,191
Net rental income from investment properties	11,640,072	18,271,095
Other income	31,970	-
Net cash generated from investing activities	1,127,225	19,561,852
Cash flows from financing activities		
Dividends paid	(25,000,000)	-
Bank borrowings – net	(7,317,196)	(25,219,587)
Finance costs paid	(5,433,069)	(9,941,449)
Lease payments	(2,241,803)	(1,512,507)
Net cash used in financing activities	(39,992,068)	(36,673,543)
Net change in cash and cash equivalents	(10,562,488)	2,911,732
Cash and cash equivalents at the beginning of the period	46,216,022	48,233,523
Cash and cash equivalents at the end of the period (Note 15)	35,653,534	51,145,255

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 2021

1. General information

Al Buhaira National Insurance Company P.S.C (the “Company”) is incorporated as a public shareholding company by an Emirati 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 the Central Bank of the U.A.E (“CBUAE”) (formerly 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.

Decretal Federal Law No. 25 of 2020 which amends certain provisions of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Authority has now merged into the Central Bank of the UAE, which commenced its operational procedures to assume the supervisory and regulatory responsibility of the insurance sector.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

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 Group during the period.

New and revised IFRS not yet effective

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

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

Management anticipates that IFRS 17 will be adopted in the Group’s consolidated 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 Group’s consolidated 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 Group performs a detailed review. Management is in the process of performing a detailed assessment as required by the CBUAE on implementation of IFRS 17.

Other Standards and amendments that are not yet effective and have not been adopted early by the Group include:

- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

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 2021

3. Summary of significant accounting policies

Basis of preparation

These condensed consolidated interim 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 interim 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 interim 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 interim financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2020.

These condensed consolidated interim 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 2020. In addition, results for the six months period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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

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 2021

3. Summary of significant accounting policies (continued)

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 Group 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 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 Group 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 Group 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 Group 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 six months period ended 30 June 2021

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 30 June 2021 and 31 December 2020 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

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 2021

4. Property and equipment

- Property and equipment additions during the current period amounted to AED 158,848 (six months period ended 30 June 2020: AED 615,211).
- Depreciation charges for the current period amounted to AED 1,701,678 (six months period ended 30 June 2020: AED 1,684,795).
- Gain from disposal for the current period amounted to AED 2,500 (six months period ended 30 June 2020: AED nil)
- All the property and equipment are located in U.A.E.

5. Investment properties

Investment properties with a fair value of AED 857 million (31 December 2020: AED 857 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 2020 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 six months period ended 30 June 2021.

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 2021 (31 December 2020: 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:

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Quoted – at fair value	18,879,455	17,233,799
Unquoted – at fair value	3,478,099	3,477,884
	22,357,554	20,711,683
In U.A.E	22,357,554	20,711,683
In other GCC countries	-	-
	22,357,554	20,711,683

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 2021

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 2020: AED 10,000,000) as a statutory deposit.

8. Insurance contract liabilities and reinsurance contract assets

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Insurance contract liabilities – gross		
Claims reported unsettled	268,871,226	244,958,009
Claims incurred but not reported	72,875,463	95,160,305
Unallocated loss adjustment expense reserve	6,406,808	6,794,346
Unearned premiums	433,437,216	187,202,605
Unexpired risk reserve	<u>6,500,336</u>	<u>1,703,513</u>
	788,091,049	535,818,778
Recoverable from reinsurers		
Claims reported unsettled	194,370,810	187,365,249
Claims incurred but not reported	49,955,980	68,458,214
Unearned premiums	<u>323,756,237</u>	<u>127,287,842</u>
	568,083,027	383,111,305
Net		
Claims reported unsettled	74,500,416	57,592,760
Claims incurred but not reported	22,919,483	26,702,091
Unallocated loss adjustment expense reserve	6,406,808	6,794,346
Unearned premiums	109,680,979	59,914,763
Unexpired risk reserve	<u>6,500,336</u>	<u>1,703,513</u>
	220,008,022	152,707,473

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9. Insurance and other receivables

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Receivables arising from insurance and reinsurance contracts		
Due from policy holders	529,179,310	262,523,754
Due from reinsurance companies	26,641,291	22,909,381
Due from insurance companies	80,681,654	64,915,283
Provision for credit loss	(56,607,518)	(56,607,518)
	<u>579,894,737</u>	<u>293,740,900</u>
Other receivables		
Staff receivables	4,808,378	4,332,235
Rent receivable	6,402,226	14,489,241
Prepayments and others	19,837,758	10,291,905
	<u>610,943,099</u>	<u>322,854,281</u>
	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
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>56,607,518</u>	<u>56,607,518</u>

10. Bank balances and cash

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Cash on hand	145,471	114,100
Bank balances:		
Current accounts	33,260,255	32,735,048
Call accounts	2,247,808	3,366,874
Margin deposits	1,337,000	1,463,000
Fixed deposits	285,022,728	279,472,640
	<u>322,013,262</u>	<u>317,151,662</u>

Fixed deposits amounting to AED 94 million (31 December 2020: AED 93 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.

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11. Share capital

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Issued and fully paid:		
250,000,000 ordinary shares of AED 1 each (31 December 2020:		
250,000,000 ordinary shares of AED 1 each)	<u>250,000,000</u>	<u>250,000,000</u>

12. Bank borrowings

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Bank overdraft	56,995,864	35,311,096
Term loans	<u>216,976,455</u>	<u>245,978,419</u>
	<u>273,972,319</u>	<u>281,289,515</u>
Bank borrowings are payable as follows:		
On demand or within one year	115,799,779	93,315,004
In the second year	58,803,916	63,770,588
In the third and subsequent years	<u>99,368,624</u>	<u>124,203,923</u>
	273,972,319	281,289,515
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(115,799,779)</u>	<u>(93,315,004)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>158,172,540</u>	<u>187,974,511</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 2021, bank borrowings were secured by lien on fixed deposits amounting to AED 94 million (31 December 2020: AED 93 million) and mortgage of investment properties with fair value of AED 857 million (31 December 2020: AED 853 million) and assignment of rental proceeds from certain investments properties against bank credit facilities granted to the Group.

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13. Net insurance premium revenue

	Three months period ended 30 June 2021 AED (unaudited)	Three months period ended 30 June 2020 AED (unaudited)	Six months period ended 30 June 2021 AED (unaudited)	Six months period ended 30 June 2020 AED (unaudited)
Insurance premium revenue				
Gross premium written	85,834,947	94,772,596	693,407,668	714,711,197
Change in unearned premium	140,174,859	132,664,058	(246,234,611)	(257,271,796)
	<u>226,009,806</u>	<u>227,436,654</u>	<u>447,173,057</u>	<u>457,439,401</u>
Reinsurance premium ceded				
Reinsurance premium ceded	(61,330,107)	(66,181,202)	(535,478,951)	(584,016,587)
Change in unearned premium	(112,215,449)	(115,993,502)	196,468,395	222,255,758
	<u>(173,545,556)</u>	<u>(182,174,704)</u>	<u>(339,010,556)</u>	<u>(361,760,829)</u>
Net insurance premium revenue	<u>52,464,250</u>	<u>45,261,950</u>	<u>108,162,501</u>	<u>95,678,572</u>

14. Basic earnings per share

	Three months period ended 30 June 2021 AED (Unaudited)	Three months period ended 30 June 2020 AED (Unaudited)	Six months period ended 30 June 2021 AED (Unaudited)	Six months period ended 30 June 2020 AED (Unaudited)
Profit for the period (in AED)	6,903,903	9,360,975	27,564,880	28,445,609
Weighted average number of shares	250,000,000	250,000,000	250,000,000	250,000,000
Basic earnings per share (in AED)	<u>0.03</u>	<u>0.04</u>	<u>0.11</u>	<u>0.11</u>

15. Cash and cash equivalents

	30 June 2021 AED (Unaudited)	30 June 2020 AED (Unaudited)
Bank balances and cash	322,013,262	325,071,455
Less: Deposits under lien	(93,980,960)	(107,100,223)
Fixed deposits on maturity of more than three months	(191,041,768)	(165,952,977)
Margin deposits	(1,337,000)	(873,000)
	<u>35,653,534</u>	<u>51,145,255</u>

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16. Lease Liability

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

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Current	2,523,457	3,112,586
Non-current	306,165	1,129,355
	2,829,622	4,241,941

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	23	1 to 2	1	23	23

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2021 were as follows and 31 December 2020:

	Minimum lease payments due		
	Within 1 year	1-2 year	Total
June 30, 2021	AED	AED	AED
Lease payments	3,215,729	341,142	3,556,871
Finance charges	(692,272)	(34,977)	(727,249)
Net present value	2,523,457	306,165	2,829,622
December 31, 2020			
Lease payments	4,759,828	1,348,534	6,108,362
Finance charges	(1,647,242)	(219,179)	(1,866,421)
Net present value	3,112,586	1,129,355	4,241,941

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17. Segment information

For management purposes, the Group is organized 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 2021				As at 31 December 2020			
	General insurance AED (Unaudited)	Life insurance AED (Unaudited)	Investments AED (Unaudited)	Total AED (Unaudited)	General insurance AED (Audited)	Life insurance AED (Audited)	Investments AED (Audited)	Total AED (Audited)
Segment assets	1,196,798,013	30,772,595	1,171,176,008	2,398,746,616	719,190,005	29,464,366	1,172,067,064	1,920,721,435
Segment liabilities	1,476,335,254	23,571,303	219,902,164	1,719,808,721	972,827,695	22,914,355	250,252,240	1,245,994,290

There are no transactions between the business segments.

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17. Segment information (continued)

For the six months period ended 30 June 2021 (Unaudited)

	Marine AED	Fire AED	Accident & Liabilities AED	General & Others AED	Group Life AED	Total Insurance AED	Investments AED	Total AED
Segment revenue – gross	19,653,349	27,305,684	141,445,461	253,012,434	5,756,129	447,173,057	-	447,173,057
Segment result – net	3,536,427	3,772,453	6,575,512	6,242,592	650,768	20,777,752	16,710,161	37,487,913
Unallocated costs								(9,923,034)
Profit for the period								<u>27,564,879</u>

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								<u>28,445,609</u>

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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:

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Due from policy holders	39,496,957	39,680,855
Gross outstanding claims	159,168	7,666,718

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:

	Three months period ended 30 June 2021 AED (unaudited)	Three months period ended 30 June 2020 AED (unaudited)	Six months period ended 30 June 2021 AED (unaudited)	Six months period ended 30 June 2020 AED (unaudited)
Gross premium written	799,184	256,006	2,923,648	1,301,906
Claims paid	172,531	246,418	341,140	677,087

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

Compensations of key management staff and Board of Directors

	Three months period ended 30 June 2021 AED (unaudited)	Three months period ended 30 June 2020 AED (unaudited)	Six months period ended 30 June 2021 AED (unaudited)	Six months period ended 30 June 2020 AED (unaudited)
Key management staff:				
Short term benefits	968,196	852,975	1,936,392	1,705,950
Long term benefits	40,602	80,575	89,353	134,100

19. Seasonality of results

Investment income includes dividend income of AED 692,716 for the six months period ended 30 June 2021 (Six months period ended 30 June 2020: AED 593,191), which is of a seasonal nature.

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20. Commitments and contingent liabilities

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Letters of guarantee	6,861,294	6,633,771

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 interim 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 2020.

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 2021 AED (Unaudited)	31 December 2020 AED (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity securities – FVTOCI	18,879,455	17,233,799	Level 1	Quoted bid prices in an active market.	None.	NA.
Unquoted equity securities – FVTOCI	3,478,099	3,477,884	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>22,357,554</u>	<u>20,711,683</u>				

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21. Fair value measurement (continued)

Fair value measurements recognised in the condensed consolidated interim 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 2021 (Unaudited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted equities	18,879,455	-	-	18,879,455
Unquoted equities		-	3,478,099	3,478,099
Investment properties	-	-	857,393,500	857,393,500
	<u>18,879,455</u>	<u>-</u>	<u>860,871,599</u>	<u>879,751,054</u>

31 December 2020 (Audited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted equities	17,233,799	-	-	17,233,799
Unquoted equities	-	-	3,477,884	3,477,884
Investment properties	-	-	857,393,500	857,393,500
	<u>17,233,799</u>	<u>-</u>	<u>860,871,384</u>	<u>878,105,183</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 29 March 2021, the Shareholders approved a dividend of AED 10 Fils per share amounting to AED 25 million for the year 2020 and it was fully paid on 5 April 2021 (30 June 2020: Nil) and no Board of Directors' remuneration (30 June 2020: Nil).

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23. Significant event

There was an outbreak of global pandemic (COVID-19) during the year 2020, causing significant disruption on economies and business across the globe including the Group. As this is evolving, we do not consider it is practical to provide an estimate of the potential impact of this outbreak on the Group. The impact of this outbreak on the macroeconomics forecasts did not have a significant impact in the Group's technical reserves and IFRS 9 estimates of expected credit loss provisions as at 30 June 2021. Management will continue to monitor the situation and assess the impact of this outbreak.

24. Approval of condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on 9 August 2021.