

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

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

For the three months period ended 31 March 2022

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

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Review report of the Independent auditor

To the Board of Directors of Al Buhaira National Insurance Company P.S.C. and its Subsidiary

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Al Buhaira National Insurance Company P.S.C. (the "Company") and its subsidiary (the "Group") as at 31 March 2022 and the related condensed consolidated interim statement of income, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the three months period then ended 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
Osama El-Bakry
Registration No: 935

Sharjah, 12 May 2022



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

Condensed consolidated interim statement of financial position
As at 31 March 2022

	Notes	31 March 2022 AED (Unaudited)	31 December 2021 AED (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	10,763,469	10,781,690
Investment properties	5	836,553,000	836,553,000
Investments in securities at FVTOCI	6	30,241,078	26,852,264
Statutory deposit	7	10,000,000	10,000,000
Total non-current assets		887,557,547	884,186,954
Current assets			
Reinsurance contract assets	8	725,362,176	356,440,652
Insurance and other receivables	9	889,295,508	386,129,181
Bank balances and cash	10	315,747,536	337,895,458
Total current assets		1,930,405,220	1,080,465,291
TOTAL ASSETS		2,817,962,767	1,964,652,245
EQUITY AND LIABILITIES			
Equity			
Share capital	11	250,000,000	250,000,000
Statutory reserve		122,126,377	122,126,377
Voluntary reserve		200,000,000	200,000,000
Reinsurance reserve		9,236,968	6,816,786
Cumulative changes in fair value		(11,963,485)	(15,352,299)
Retained earnings		134,517,858	117,316,644
Total Equity		703,917,718	680,907,508
Non-current liabilities			
Provision for employees' end of service benefit		39,976,874	39,787,312
Bank borrowings	12	111,386,276	124,203,923
Lease liabilities	16	3,268,369	3,641,342
Total non-current liabilities		154,631,519	167,632,577
Current liabilities			
Insurance contract liabilities	8	1,027,303,593	544,707,772
Insurance and other payables		762,147,390	437,354,055
Lease liabilities	16	1,498,514	1,596,270
Bank borrowings	12	168,464,033	132,454,063
Total current liabilities		1,959,413,530	1,116,112,160
Total liabilities		2,114,045,049	1,283,744,737
TOTAL EQUITY AND LIABILITIES		2,817,962,767	1,964,652,245

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

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

Condensed consolidated interim statement of income
For the three months period ended 31 March 2022

	Notes	Three months period ended 31 March 2022 AED (Unaudited)	Three months period ended 31 March 2021 AED (Unaudited)
Insurance premium revenue	13	231,106,986	221,163,251
Less: Insurance premium ceded to reinsurers	13	(163,308,904)	(165,465,000)
Net insurance premium revenue		67,798,082	55,698,251
Gross claims incurred		(219,163,714)	(147,008,266)
Insurance claims recovered from reinsurers		153,102,953	96,016,059
Net claims incurred		(66,060,761)	(50,992,207)
Gross commission earned		41,091,157	39,294,917
Less: Commission incurred		(10,434,676)	(11,335,817)
Net commission earned		30,656,481	27,959,100
Underwriting profit		32,393,802	32,665,144
General and administrative expenses relating to underwriting activities		(14,596,099)	(15,220,459)
Net underwriting profit		17,797,703	17,444,685
Investment and other income		7,089,735	8,615,670
Finance costs		(2,480,914)	(2,817,047)
Finance costs – lease		(608,043)	(478,362)
Unallocated general and administrative expenses		(2,177,085)	(2,103,979)
Profit for the period		19,621,396	20,660,967
Basic earnings per share	14	0.08	0.08

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

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

Condensed consolidated interim statement of comprehensive income
For the three months period ended 31 March 2022

	Three months period ended 31 March 2022 AED (Unaudited)	Three months period ended 31 March 2021 AED (Unaudited)
Profit for the period	<u>19,621,396</u>	<u>20,660,967</u>
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Increase in fair value of investments carried at FVTOCI	<u>3,388,814</u>	<u>714,120</u>
Other comprehensive income for the period	<u>3,388,814</u>	<u>714,120</u>
Total comprehensive income for the period	<u><u>23,010,210</u></u>	<u><u>21,375,087</u></u>

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

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

Condensed consolidated interim statement of changes in equity
For the three months period ended 31 March 2022

	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 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	-	-	-	-	-	20,660,967	20,660,967
Other comprehensive income for the period	-	-	-	-	714,120	-	714,120
Total comprehensive income for the period	-	-	-	-	714,120	20,660,967	21,375,087
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	2,370,744	-	(2,370,744)	-
Dividends	-	-	-	-	-	(25,000,000)	(25,000,000)
Balance at 31 March 2021 (Unaudited)	250,000,000	119,622,924	200,000,000	5,989,795	(20,785,494)	116,275,007	671,102,232
Balance at 31 December 2021 (Audited)	250,000,000	122,126,377	200,000,000	6,816,786	(15,352,299)	117,316,644	680,907,508
Profit for the period	-	-	-	-	-	19,621,396	19,621,396
Other comprehensive income for the period	-	-	-	-	3,388,814	-	3,388,814
Total comprehensive income for the period	-	-	-	-	3,388,814	19,621,396	23,010,210
Transfer to reinsurance reserve	-	-	-	2,420,182	-	(2,420,182)	-
Balance at 31 March 2022 (Unaudited)	250,000,000	122,126,377	200,000,000	9,236,968	(11,963,485)	134,517,858	703,917,718

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

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

Condensed consolidated interim statement of cash flows
For the three months period ended 31 March 2022

	Notes	Three months period ended 31 March 2022 AED (Unaudited)	Three months period ended 31 March 2021 AED (Unaudited)
Cash flows from operating activities			
Profit for the period		19,621,396	20,660,967
Adjustments for:			
Depreciation of property and equipment	4	716,301	855,235
Interest income on deposits		(2,466,407)	(2,157,038)
Net rental income from investment properties		(4,516,113)	(6,450,643)
Gain on disposal of property and equipment	4	(105,000)	-
Provision for employees' end of service indemnity		626,743	482,745
Finance costs		3,088,957	3,295,409
Other income		(2,215)	(7,989)
Operating cash flows before changes in working capital		16,963,662	16,678,686
Change in working capital			
Reinsurance contract assets		(368,921,524)	(288,226,050)
Insurance and other receivables		(503,166,327)	(473,075,272)
Insurance contract liabilities		482,595,821	382,515,188
Insurance and other payables		324,793,335	340,455,008
Cash used in operating activities		(47,735,033)	(21,652,440)
Employees' end of service indemnity paid		(437,181)	(290,922)
Net cash used in operating activities		(48,172,214)	(21,943,362)
Cash flows from investing activities			
Movement in fixed deposit under lien and with maturity of more than three months		(749,936)	(10,785,679)
Movement in margin deposits		57,000	126,000
Purchase of property and equipment	4	(698,080)	(131,811)
Proceeds from sale of property and equipment	4	105,000	-
Interest received		2,466,407	2,157,038
Net rental income from investment properties		4,516,113	6,450,643
Other income		2,215	7,989
Net cash generated from/(used in) investing activities		5,698,719	(2,175,820)
Cash flows from financing activities			
Bank borrowings – net		23,192,323	10,178,101
Finance costs paid		(2,480,914)	(2,817,047)
Lease payments		(1,078,772)	(1,120,902)
Net cash generated from financing activities		19,632,637	6,240,152
Net decrease in cash and cash equivalents		(22,840,858)	(17,879,030)
Cash and cash equivalents at the beginning of the period		39,052,732	46,216,022
Cash and cash equivalents at the end of the period	15	16,211,874	28,336,992

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

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

Condensed consolidated interim financial statements (Unaudited)

Notes to the condensed consolidated interim financial statements

For the three months period ended 31 March 2022

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 Central Bank of the UAE ("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.

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.

Federal Law Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 with an effective date of 2 January 2022, and will entirely replace Federal Law No. 2 of 2015, as amended, on Commercial Companies, as amended. The Parent Company has twelve months from the effective date to comply with the provisions of the New Companies Law.

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.

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.

There are no other standards and amendments that are not yet effective and have not been adopted early by 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 three months period ended 31 March 2022

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 2021.

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 2021. In addition, results for the three months period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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 three months period ended 31 March 2022

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 valuers.

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

Impairment of financial assets

The 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 three months period ended 31 March 2022

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 Group's subsidiary at 31 March 2022 and 31 December 2021 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 three months period ended 31 March 2022

4. Property and equipment

- Property and equipment additions during the current period amounted to AED 698,080 (three months period ended 31 March 2021: AED 131,811).
- Depreciation charges for the current period amounted to AED 716,301 (three months period ended 31 March 2021: AED 855,235).
- Net carrying amount of Property and equipment disposed amounted to AED Nil (three months period ended 31 March 2021: AED Nil) and gain from these disposals for the current period amounted to AED 105,000 (three months period ended 31 March 2021: AED Nil).
- All the property and equipment are located in U.A.E.

5. Investment properties

Investment properties with a fair value of AED 836.5 million (31 December 2021: AED 836.5 million) were mortgaged to a bank towards credit facilities granted to the Group.

The fair value of the Group's investments properties as at 31 December 2021 has been arrived at on the basis of valuations carried on the respective dates by independent competent valuers who have recent market experience in the valuation of properties in the United Arab Emirates.

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

Management estimates that there has been no change in the fair value of the investment properties during the three months period ended 31 March 2022.

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

Investment properties are classified as Level 3 in fair value hierarchy as at 31 March 2022 (31 December 2021: 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:

	31 March 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Quoted – at fair value	26,762,980	23,374,166
Unquoted – at fair value	3,478,098	3,478,098
	<u>30,241,078</u>	<u>26,852,264</u>
In U.A.E	30,241,078	26,852,264
In other GCC countries	-	-
	<u>30,241,078</u>	<u>26,852,264</u>

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

Notes to the condensed consolidated interim financial statements (continued)
For the three months period ended 31 March 2022

7. Statutory deposit

In accordance with the requirements of Federal Law No. 6 of 2007, as amended, on Establishment of Insurance Companies register of the CBUAE and Organisation of its operations, the Group maintains a bank deposit of AED 10 million (31 December 2021: AED 10 million) as a statutory deposit.

8. Insurance contract liabilities and reinsurance contract assets

	31 March 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Insurance contract liabilities – gross		
Claims reported unsettled	323,931,903	271,705,507
Claims incurred but not reported	83,263,242	71,056,021
Unallocated loss adjustment expense reserve	7,254,977	6,353,052
Unearned premiums	601,233,009	183,641,387
Unexpired risk reserve	11,620,462	11,951,805
	<u>1,027,303,593</u>	<u>544,707,772</u>
Recoverable from reinsurers		
Claims reported unsettled	234,302,952	195,162,889
Claims incurred but not reported	54,561,313	45,507,382
Unearned premiums	436,497,911	115,770,381
	<u>725,362,176</u>	<u>356,440,652</u>
Insurance contract liabilities – net		
Claims reported unsettled	89,628,951	76,542,618
Claims incurred but not reported	28,701,929	25,548,639
Unallocated loss adjustment expense reserve	7,254,977	6,353,052
Unearned premiums	164,735,098	67,871,006
Unexpired risk reserve	11,620,462	11,951,805
	<u>301,941,417</u>	<u>188,267,120</u>

9. Insurance and other receivables

	31 March 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Receivables arising from insurance and reinsurance contracts		
Due from policy holders	792,876,564	286,457,977
Due from reinsurance companies	32,090,292	44,330,895
Due from insurance companies	89,547,882	86,462,126
Provision for impairment of financial assets	(59,107,518)	(59,107,518)
	<u>855,407,220</u>	<u>358,143,480</u>
Other receivables		
Staff receivables	3,714,887	3,734,197
Rent receivable	12,975,005	13,336,542
Prepayments and others	17,198,396	10,914,962
	<u>889,295,508</u>	<u>386,129,181</u>

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

Notes to the condensed consolidated interim financial statements (continued)
For the three months period ended 31 March 2022

9. Insurance and other receivables (continued)

	31 March 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Movement in provision for credit loss:		
Balance at the beginning of the period/year	59,107,518	56,607,518
Charges during the period/year	-	2,500,000
	<u>59,107,518</u>	<u>59,107,518</u>

10. Bank balances and cash

	31 March 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Cash on hand	170,681	120,474
Bank balances:		
Current accounts	14,786,391	29,447,896
Call accounts	1,254,802	9,484,362
Margin deposits	1,124,000	1,181,000
Fixed deposits	298,411,662	297,661,726
	<u>315,747,536</u>	<u>337,895,458</u>

Fixed deposits amounting to AED 159.5 million (31 December 2021: AED 105.9 million) are under lien in respect of bank credit facilities granted to the Group. All fixed deposits are held in local banks in the United Arab Emirates.

11. Share capital

	31 March 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Authorised, issued and fully paid:		
250 million ordinary shares of AED 1 each (31 December 2021: 250 million ordinary shares of AED 1 each)	<u>250,000,000</u>	<u>250,000,000</u>

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12. Bank borrowings

	31 March 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Bank overdraft	104,693,445	60,565,828
Term loans	175,156,864	196,092,158
	<u>279,850,309</u>	<u>256,657,986</u>
Bank borrowings are payable as follows:		
On demand or within one year	168,464,033	132,454,063
In the second year	63,770,587	105,870,588
In the third and subsequent years	47,615,689	18,333,335
	<u>279,850,309</u>	<u>256,657,986</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(168,464,033)</u>	<u>(132,454,063)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>111,386,276</u>	<u>124,203,923</u>

Main features of bank borrowings:

- Bank loans are obtained to finance the construction of investment properties and to meet its operating capital requirements.
- Bank overdraft is payable on demand.

At 31 March 2022, bank borrowings were secured by lien on fixed deposits amounting to AED 159.5 million (31 December 2021: AED 105.9 million) and mortgage of investment properties with fair value of AED 836.5 million (31 December 2021: AED 836.5 million) and assignment of rental proceeds from certain investments properties against bank credit facilities granted to the Group.

13. Net insurance premium revenue

	Three months period ended 31 March 2022 AED (Unaudited)	Three months period ended 31 March 2021 AED (Unaudited)
Insurance premium revenue		
Gross premium written	648,698,609	607,572,721
Change in unearned premium	<u>(417,591,623)</u>	<u>(386,409,470)</u>
	<u>231,106,986</u>	<u>221,163,251</u>
Insurance premium ceded to reinsurance		
Reinsurance premium ceded	(484,036,433)	(474,148,844)
Change in unearned premium	<u>320,727,529</u>	<u>308,683,844</u>
	<u>(163,308,904)</u>	<u>(165,465,000)</u>
Net insurance premium revenue	<u>67,798,082</u>	<u>55,698,251</u>

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14. Basic earnings per share

	Three months period ended 31 March 2022 AED (Unaudited)	Three months period ended 31 March 2021 AED (Unaudited)
Profit for the period (in AED)	19,621,396	20,660,967
Weighted average number of shares	250,000,000	250,000,000
Basic earnings per share (in AED)	0.08	0.08

15. Cash and cash equivalents for statement of cashflows

	31 March 2022 AED (Unaudited)	31 March 2021 AED (Audited)
Bank balances and cash	315,747,536	309,932,311
Less: Deposits under lien	(159,490,329)	(93,979,474)
Fixed deposits on maturity of more than three months	(138,921,333)	(186,278,845)
Margin deposits	(1,124,000)	(1,337,000)
	16,211,874	28,336,992

16. Lease liabilities

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

	31 March 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Current	1,498,514	1,596,270
Non-current	3,268,369	3,641,342
	4,766,883	5,237,612

The Group has leases for the offices all in UAE. Each lease is reflected on the consolidated statement of financial position as a right-of-use assets and lease liabilities. 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	20	1 to 2	2	20	20

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16. Lease liabilities (continued)

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 March 2022 and 31 December 2021 were as follows:

	Minimum lease payments due		
	Within 1 year	1-2 year	Total
	AED	AED	AED
31 March 2022			
Lease payments	3,450,086	4,705,620	8,155,706
Finance charges	(1,951,572)	(1,437,251)	(3,388,823)
Net present value	1,498,514	3,268,369	4,766,883
31 December 2021			
Lease payments	3,733,455	5,501,023	9,234,478
Finance charges	(2,137,185)	(1,859,681)	(3,996,866)
Net present value	1,596,270	3,641,342	5,237,612

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17. Segment information

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

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

Investments segment comprises investment in equity securities and investment properties.

These segments are the basis on which the Group reports its primary segment information to the Operations Decision makers.

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.

	31 March 2022			31 December 2021		
	General insurance (Unaudited) AED	Life insurance (Unaudited) AED	Investments (Unaudited) AED	General insurance (Audited) AED	Life insurance (Audited) AED	Total (Audited) AED
Segment assets	1,550,750,570	30,018,830	1,178,180,744	685,778,996	28,805,137	1,888,987,665
Unallocated assets	-	-	-	-	-	75,664,580
Total	1,550,750,570	30,018,830	1,178,180,744	685,778,996	28,805,137	1,964,652,245
Segment liabilities	1,758,132,657	19,939,524	177,496,456	927,299,376	19,596,668	1,137,172,979
Unallocated liabilities	-	-	-	-	-	146,571,758
Total	1,758,132,657	19,939,524	177,496,456	927,299,376	19,596,668	1,283,744,737

There are no transactions between the business segments.

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17. Segment information (continued)

For the three months period ended 31 March 2022 (Unaudited)

	Marine AED	Fire AED	Accident & Liabilities AED	General & Others AED	Group Life AED	Total Insurance AED	Investments AED	Total AED
Segment revenue – gross	10,787,917	11,494,103	67,151,447	139,007,656	2,665,863	231,106,986	-	231,106,986
Segment result – net	3,381,103	707,195	6,714,879	6,139,206	855,320	17,797,703	7,089,735	24,887,438
Unallocated costs								(5,266,042)
Profit for the period								19,621,396

For the three months period ended 31 March 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	9,081,012	13,641,768	72,290,171	123,705,161	2,445,139	221,163,251	-	221,163,251
Segment result – net	6,170,051	2,588,312	4,918,275	3,238,147	529,900	17,444,685	8,615,670	26,060,355
Unallocated costs								(5,399,388)
Profit for the period								20,660,967

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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:

	31 March 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Due from policy holders	39,850,905	38,999,024
Gross outstanding claims	453,991	446,069

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 31 March 2022 AED (Unaudited)	2021 AED (Unaudited)
Gross premium	2,122,137	2,124,464
Claims paid	622,484	168,609

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 31 March 2022 AED (Unaudited)	2021 AED (Unaudited)
Key management staff:		
Short-term benefits	1,127,196	968,196
Long-term benefits	58,292	48,752

19. Seasonality of results

Investment income includes dividend income of AED Nil for the three months period ended 31 March 2022 (Three months period ended 31 March 2021: AED Nil), which is of a seasonal nature.

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20. Commitments and contingent liabilities

	31 March 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Letters of guarantee	<u>5,860,796</u>	<u>6,240,296</u>

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, doesn't believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.

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 2021.

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

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

Financial assets	Fair value as at 31 March 2022 (Unaudited) AED	31 December 2021 (Audited) AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity securities – FVTOCI	26,762,980	23,374,166	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity securities – FVTOCI	3,478,098	3,478,098	Level 3	Net assets valuation method	Net assets value	Higher the net assets value of the investees, higher the fair value.
Investment properties	836,553,000	836,553,000	Level 3	Income approach	Projected cash flows	Higher the projected cash flows, higher the fair value.
	<u>866,794,078</u>	<u>863,405,264</u>				

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21. Fair value measurement (continued)

Fair value measurements recognised in the condensed statement of financial position

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

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

31 March 2022 (Unaudited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted equities	26,762,980	-	-	26,762,980
Unquoted equities	-	-	3,478,098	3,478,098
Investment properties	-	-	836,553,000	836,553,000
	<u>26,762,980</u>	<u>-</u>	<u>840,031,098</u>	<u>866,794,078</u>

31 December 2021 (Audited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted equities	23,374,166	-	-	23,374,166
Unquoted equities	-	-	3,478,098	3,478,098
Investment properties	-	-	836,553,000	836,553,000
	<u>23,374,166</u>	<u>-</u>	<u>840,031,098</u>	<u>863,405,264</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 Assembly 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.

During the period, the Board of Directors propose that a dividend of AED 10 fils per share amounting to AED 25 million for 2021 to be paid to the shareholders in 2022. The Board also proposed a remuneration for the year ended 31 December 2021 of AED 1,050,000. These were approved by the shareholders at the Annual General Meeting held on 21 April 2022 and have not been included as a liability in these condensed consolidated interim financial statements.

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23. Significant event

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% federal corporate tax rate effective for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the condensed consolidated interim financial statements of the Group for the three months period ended 31 March 2022. Management will commence the process of assessing the implications of this federal corporate tax on the Group.

24. Approval of condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on 12 May 2022.