

**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 2019**

**AL BUHAIRA NATIONAL INSURANCE  
COMPANY P.S.C. AND ITS SUBSIDIARY  
Condensed consolidated interim financial statements (Unaudited)**

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# Grant Thornton

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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 of 30 June 2019 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.

### Other matter

The condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2018 and the consolidated financial statements for the year ended 31 December 2018 were reviewed and audited by another auditor whose review report dated 9 August 2018 and audit report dated 13 March 2019 expressed an unmodified conclusion and unqualified opinion respectively.

### 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, 29 July 2019**



**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 2019**

	Notes	(Unaudited) 30 June 2019 AED	(Audited) 31 December 2018 AED
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	5,599,766	5,483,592
Investment properties	5	909,540,601	909,540,601
Investments in securities at FVTOCI	6	35,638,514	41,743,147
Statutory deposit	7	10,000,000	10,000,000
<b>Total non-current assets</b>		<b>960,778,881</b>	<b>966,767,340</b>
<b>Current assets</b>			
Reinsurance contract assets	8	600,526,242	254,548,035
Insurance and other receivables	9	560,398,532	283,368,048
Bank balances and cash	10	318,070,561	229,198,956
<b>Total current assets</b>		<b>1,478,995,335</b>	<b>767,115,039</b>
<b>TOTAL ASSETS</b>		<b>2,439,774,216</b>	<b>1,733,882,379</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	250,000,000	250,000,000
Statutory reserve		115,017,742	115,017,742
Voluntary reserve		200,000,000	200,000,000
Cumulative changes in fair value		(22,868,356)	(21,109,373)
Retained earnings		116,048,037	91,396,253
<b>Total Equity</b>		<b>658,197,423</b>	<b>635,304,622</b>
<b>Non-current liabilities</b>			
Provision for employees' end of service benefit		37,627,750	36,065,474
Bank borrowings	12	324,351,769	361,991,436
<b>Total non-current liabilities</b>		<b>361,979,519</b>	<b>398,056,910</b>
<b>Current liabilities</b>			
Insurance contract liabilities	8	804,803,039	418,737,448
Insurance and other payables		493,356,069	179,093,885
Bank borrowings	12	121,438,166	102,689,514
<b>Total current liabilities</b>		<b>1,419,597,274</b>	<b>700,520,847</b>
<b>Total liabilities</b>		<b>1,781,576,793</b>	<b>1,098,577,757</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,439,774,216</b>	<b>1,733,882,379</b>

  
Chairman

The accompanying notes from 1 to 22 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 2019**

	Notes	(unaudited) Three months period ended 30 June 2019 AED	(unaudited) Three months period ended 30 June 2018 AED	(unaudited) Six months period ended 30 June 2019 AED	(unaudited) Six months period ended 30 June 2018 AED
Insurance premium revenue	13	214,551,628	124,224,789	417,933,440	246,953,844
Less: Insurance premium ceded to reinsurers	13	(169,636,135)	(69,741,024)	(327,622,176)	(132,214,467)
<b>Net insurance premium revenue</b>		<b>44,915,493</b>	<b>54,483,765</b>	<b>90,311,264</b>	<b>114,739,377</b>
Gross claims incurred		(194,653,453)	(75,465,564)	(357,099,604)	(150,048,605)
Insurance claims recovered from reinsurers		155,775,228	33,990,409	273,254,912	57,329,538
<b>Net claims incurred</b>		<b>(38,878,225)</b>	<b>(41,475,155)</b>	<b>(83,844,692)</b>	<b>(92,719,067)</b>
Gross commission earned		17,019,505	11,254,436	55,145,194	30,913,931
Less: Commission incurred		(10,064,972)	(6,903,664)	(20,400,470)	(12,687,018)
<b>Net commission earned</b>		<b>6,954,533</b>	<b>4,350,772</b>	<b>34,744,724</b>	<b>18,226,913</b>
<b>Underwriting profit</b>		<b>12,991,801</b>	<b>17,359,382</b>	<b>41,211,296</b>	<b>40,247,223</b>
General and administrative expenses relating to underwriting activities		(10,639,557)	(11,748,393)	(25,168,607)	(24,590,659)
<b>Net underwriting profit</b>		<b>2,352,244</b>	<b>5,610,989</b>	<b>16,042,689</b>	<b>15,656,564</b>
Investment and other income		12,264,653	13,229,411	25,506,114	27,606,524
Finance costs		(6,456,105)	(5,125,116)	(12,397,938)	(9,771,974)
Unallocated general and administrative expenses		(1,162,744)	(1,686,363)	(3,006,849)	(2,806,947)
<b>Profit for the period</b>		<b>6,998,048</b>	<b>12,028,921</b>	<b>26,144,016</b>	<b>30,684,167</b>
<b>Basic earnings per share</b>	14	<b>0.03</b>	<b>0.05</b>	<b>0.10</b>	<b>0.12</b>

The accompanying notes from 1 to 22 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 2019**

	(unaudited) Three months period ended 30 June 2019 AED	(unaudited) Three months period ended 30 June 2018 AED	(unaudited) Six months period ended 30 June 2019 AED	(unaudited) Six months period ended 30 June 2018 AED
Profit for the period	<u>6,998,048</u>	<u>12,028,921</u>	<u>26,144,016</u>	<u>30,684,167</u>
<b>Other comprehensive loss</b>				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
(Loss)/Gain on sale of investments carried at FVTOCI	(1,492,232)	-	(1,492,232)	250,153
Decrease in fair value of investments carried at FVTOCI	<u>653,228</u>	<u>(1,564,615)</u>	<u>(1,758,984)</u>	<u>(3,662,190)</u>
<b>Other comprehensive loss for the period</b>	<u>(839,004)</u>	<u>(1,564,615)</u>	<u>(3,251,216)</u>	<u>(3,412,037)</u>
<b>Total comprehensive income for the period</b>	<u><u>6,159,044</u></u>	<u><u>10,464,306</u></u>	<u><u>22,892,800</u></u>	<u><u>27,272,130</u></u>

The accompanying notes from 1 to 22 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 2019**

	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 2017 (Audited)	250,000,000	111,467,989	200,000,000	(5,975,607)	108,189,775	663,682,157
Impact on adoption of IFRS 9	-	-	-	-	(26,310,476)	(26,310,476)
Transfer within equity on adoption of IFRS 9	-	-	-	(5,783,989)	5,783,989	-
Restated balance at 1 January 2018	250,000,000	111,467,989	200,000,000	(11,759,596)	87,663,288	637,371,681
Profit for the period	-	-	-	-	30,684,167	30,684,167
Other comprehensive loss for the period	-	-	-	(3,662,190)	250,153	(3,412,037)
Total comprehensive income for the period	-	-	-	(3,662,190)	30,934,320	27,272,130
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	(7,934)	7,934	-
Board of Directors' remuneration	-	-	-	-	(1,400,000)	(1,400,000)
Dividends	-	-	-	-	(25,000,000)	(25,000,000)
Balance at 30 June 2018 (Unaudited)	250,000,000	111,467,989	200,000,000	(15,429,720)	92,205,542	638,243,811
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 period	-	-	-	-	26,144,016	26,144,016
Other comprehensive loss for the period	-	-	-	(1,758,984)	(1,492,232)	(3,251,216)
Total comprehensive loss for the period	-	-	-	(1,758,984)	24,651,784	22,892,800
<b>Balance at 30 June 2019 (Unaudited)</b>	<b>250,000,000</b>	<b>115,017,742</b>	<b>200,000,000</b>	<b>(22,868,356)</b>	<b>116,048,037</b>	<b>658,197,423</b>

The accompanying notes from 1 to 22 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 2019**

	(Unaudited) Six months period ended 30 June 2019 AED	(Unaudited) Six months period ended 30 June 2018 AED
<b>Cash flows from operating activities</b>		
Profit for the period	26,144,016	30,684,167
Adjustments for:		
Depreciation of property and equipment	463,352	510,813
Interest income on deposits	(4,875,564)	(3,762,540)
Dividend income	(506,824)	(1,293,518)
Net rental income from investment properties	(20,098,292)	(22,524,744)
Gain on disposal of property and equipment	-	(1,010)
Provision for employees' end of service indemnity	1,697,868	2,121,205
Finance costs	12,397,938	9,771,974
<b>Operating cash flows before changes in operating assets and Liabilities</b>	<b>15,222,494</b>	<b>15,506,347</b>
<b>Change in working capital</b>		
Reinsurance contract assets	(345,978,207)	(38,906,876)
Insurance and other receivables	(277,030,484)	(40,052,116)
Insurance contract liabilities	386,065,591	22,352,528
Insurance and other payables	314,262,184	23,262,700
<b>Cash generated from/(used in) operating activities</b>	<b>92,541,578</b>	<b>(17,837,417)</b>
Employees' end of service indemnity paid	(135,592)	(314,960)
<b>Net cash generated from/(used in) operating activities</b>	<b>92,405,986</b>	<b>(18,152,377)</b>
<b>Cash flows from investing activities</b>		
Fixed deposit under lien and with maturity of more than three months	(36,070,485)	46,950,260
Margin deposits	-	(300,000)
Purchase of investments	-	(1,985,476)
Proceeds from sale of investments at FVTOCI	2,853,418	3,170,695
Purchase of property and equipment	(579,526)	(880,799)
Proceeds from property and equipment	-	1,010
Interest received	4,875,564	3,762,540
Dividends received	506,824	1,293,518
Net rental income from investment properties	20,098,292	22,524,744
<b>Net cash (used in)/generated from investing activities</b>	<b>(8,315,913)</b>	<b>74,536,492</b>
<b>Cash flows from financing activities</b>		
Bank borrowings – net	(18,891,015)	26,739,805
Dividends paid	-	(25,000,000)
Board of Directors' remuneration	-	(1,400,000)
Finance costs paid	(12,397,938)	(9,771,974)
<b>Net cash used in financing activities</b>	<b>(31,288,953)</b>	<b>(9,432,169)</b>
<b>Net change in cash and cash equivalents</b>	<b>52,801,120</b>	<b>46,951,946</b>
Cash and cash equivalents at the beginning of the period	15,672,027	11,230,780
<b>Cash and cash equivalents at the end of the period (Note 15)</b>	<b>68,473,147</b>	<b>58,182,726</b>

The accompanying notes from 1 to 22 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 (continued)

#### For the six months period ended 30 June 2019

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#### 1. General information

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

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

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

##### **New and revised IFRS applied with no material effect on the condensed consolidated interim financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these condensed consolidated interim financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

The Group adopted IFRS 16 'Leases' the standard replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 "Operating Leases - Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Group's condensed consolidated interim statement of financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Group is still in the process of assessing the impact of IFRS 16 on the condensed consolidated interim financial statements.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments

# 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 2019

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## 2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

### New and revised IFRS not effective yet

- Amendments regarding the definition of material
- Amendments to clarify the definition of a business
- IFRS 17: Insurance Contracts
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

## 3. Summary of significant accounting policies

### Basis of preparation

These interim 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 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 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 2018 with an exception of changes with regard to IFRS 16 as disclosed in Note 2.

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 2018. In addition, results for the six months period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

### 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 condensed consolidated interim statement of income during the financial period they are incurred.

**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 2019**

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

**Property and equipment (continued)**

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 condensed consolidated interim 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 condensed consolidated interim statement of income in the year the asset is derecognized.

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

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

**Investment properties**

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

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

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

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

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

At initial recognition, the 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.

# 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 2019

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

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

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.

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.

# 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 2019

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

#### Basis of consolidation (continued)

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 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 579,526 (Six months period ended 30 June 2018: AED 880,799).
- Depreciation charges for the current period amounted to AED 463,352 (Six months period ended 30 June 2018: AED 510,813).
- All the property and equipment are located in U.A.E.

### 5. Investment properties

Investment properties with a fair value of AED 853 million (31 December 2018: AED 853 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 2018 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 2019.

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 2019 (31 December 2018: Level 3).

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**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 2019 AED	(Audited) 31 December 2018 AED
Quoted – at fair value	27,234,008	30,299,491
Unquoted – at fair value	<u>8,404,506</u>	<u>11,443,656</u>
	<u>35,638,514</u>	<u>41,743,147</u>
In U.A.E	34,543,699	37,609,182
In other GCC countries	<u>1,094,815</u>	<u>4,133,965</u>
	<u>35,638,514</u>	<u>41,743,147</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 2018: AED 10,000,000) as a statutory deposit.

**8. Insurance contract liabilities and reinsurance contract assets**

	(Unaudited) 30 June 2019 AED	(Audited) 31 December 2018 AED
<b>Insurance contract liabilities – gross</b>		
Claims reported unsettled	289,748,759	152,292,439
Claims incurred but not reported	69,886,309	57,651,003
Unallocated loss adjustment expense reserve	5,959,719	4,938,265
Unearned premiums	<u>439,208,252</u>	<u>203,855,741</u>
	<u>804,803,039</u>	<u>418,737,448</u>
<b>Recoverable from reinsurers</b>		
Claims reported unsettled	216,062,467	94,804,778
Claims incurred but not reported	43,623,218	29,761,560
Unallocated loss adjustment expense reserve	-	-
Unearned premiums	<u>340,840,557</u>	<u>129,981,697</u>
	<u>600,526,242</u>	<u>254,548,035</u>
<b>Net</b>		
Claims reported unsettled	73,686,292	57,487,661
Claims incurred but not reported	26,263,091	27,889,443
Unallocated loss adjustment expense reserve	5,959,719	4,938,265
Unearned premiums	<u>98,367,695</u>	<u>73,874,044</u>
	<u>204,276,797</u>	<u>164,189,413</u>

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**9. Insurance and other receivables**

	(Unaudited) 30 June 2019 AED	(Audited) 31 December 2018 AED
<b>Receivables arising from insurance and reinsurance contracts</b>		
Due from policy holders	498,790,399	207,933,207
Due from reinsurance companies	78,600,722	20,858,859
Due from insurance companies	8,986,981	88,940,144
Provision for credit loss	<u>(56,607,518)</u>	<u>(56,607,518)</u>
	529,770,584	261,124,692
<b>Other receivables</b>		
Staff receivables	2,835,151	2,719,109
Rent receivable	7,804,593	7,999,002
Prepayments and others	<u>19,988,204</u>	<u>11,525,245</u>
	<u>560,398,532</u>	<u>283,368,048</u>

	(Unaudited) 30 June 2019 AED	(Audited) 31 December 2018 AED
<b>Movement in provision for credit loss:</b>		
Balance at the beginning of the period/year	56,607,518	30,297,042
Initial application of IFRS 9	-	26,310,476
	<u>56,607,518</u>	<u>56,607,518</u>

**10. Bank balances and cash**

	(Unaudited) 30 June 2019 AED	(Audited) 31 December 2018 AED
Cash on hand	88,200	213,602
<b>Bank balances:</b>		
Current accounts	61,123,906	11,010,132
Call accounts	7,261,041	4,448,293
Margin deposits	873,000	873,000
Fixed deposits	<u>248,724,414</u>	<u>212,653,929</u>
	<u>318,070,561</u>	<u>229,198,956</u>

Fixed deposits amounting to AED 69.5 million (31 December 2018: AED 68 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**

	(Unaudited) 30 June 2019 AED	(Audited) 31 December 2018 AED
Issued and fully paid:		
250,000,000 ordinary shares of AED 1 each (31 December 2018:		
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 2019 AED	(Audited) 31 December 2018 AED
Bank overdraft	46,608,818	28,760,153
Term loans	<u>399,181,117</u>	<u>435,920,797</u>
	<u>445,789,935</u>	<u>464,680,950</u>
<b>Bank borrowings are payable as follows:</b>		
On demand or within one year	121,438,166	102,689,514
In the second year	74,829,349	75,279,360
In the third and subsequent years	<u>249,522,420</u>	<u>286,712,076</u>
	445,789,935	464,680,950
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(121,438,166)</u>	<u>(102,689,514)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>324,351,769</u>	<u>361,991,436</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 2019, bank borrowings were secured by lien on fixed deposits amounting to AED 69.5 million (31 December 2018: AED 68 million) and mortgage of investment properties with fair value of AED 853 million (31 December 2018: 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**

	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Three months period ended 30 June 2019 AED	Three months period ended 30 June 2018 AED	Six months period ended 30 June 2019 AED	Six months period ended 30 June 2018 AED
<b>Insurance premium revenue</b>				
Gross premium written	108,519,757	97,372,106	653,285,951	283,052,677
Change in unearned premium	<u>106,031,871</u>	<u>26,852,683</u>	<u>(235,352,511)</u>	<u>(36,098,833)</u>
	<u>214,551,628</u>	<u>124,224,789</u>	<u>417,933,440</u>	<u>246,953,844</u>
<b>Reinsurance premium ceded</b>				
Reinsurance premium ceded	(81,160,542)	(63,621,515)	(538,481,035)	(167,684,947)
Change in unearned premium	<u>(88,475,593)</u>	<u>(6,119,509)</u>	<u>210,858,859</u>	<u>35,470,480</u>
	<u>(169,636,135)</u>	<u>(69,741,024)</u>	<u>(327,622,176)</u>	<u>(132,214,467)</u>
<b>Net insurance premium revenue</b>	<u>44,915,493</u>	<u>54,483,765</u>	<u>90,311,264</u>	<u>114,739,377</u>

During the period ended June 30, 2019, the Group has underwritten medical policies to Sharjah Government of AED 335 million. Such policies are reinsured up to 90 percent.

**14. Basic earnings per share**

	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Three months period ended 30 June 2019 AED	Three months period ended 30 June 2018 AED	Six months period ended 30 June 2019 AED	Six months period ended 30 June 2018 AED
Profit for the period (in AED)	<u>6,998,048</u>	<u>12,028,921</u>	<u>26,144,016</u>	<u>30,684,167</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>0.03</u>	<u>0.05</u>	<u>0.10</u>	<u>0.12</u>

**15. Cash and cash equivalents**

	(Unaudited) 30 June 2019 AED	(Audited) 31 December 2018 AED
Bank balances and cash	318,070,561	229,198,956
Less: Deposits under lien	(69,584,554)	(68,032,771)
Fixed deposits on maturity of more than three months	(179,139,860)	(144,621,158)
Margin deposits	<u>(873,000)</u>	<u>(873,000)</u>
	<u>68,473,147</u>	<u>15,672,027</u>

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**16. 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 2019			as at 31 December 2018				
	General insurance (Unaudited) AED	Life insurance (Unaudited) AED	Investments (Unaudited) AED	Total (Unaudited) AED	General insurance (Audited) AED	Life insurance (Audited) AED	Investments (Audited) AED	Total (Audited) AED
<b>Segment assets</b>	<b>1,211,939,515</b>	<b>26,126,579</b>	<b>1,201,708,122</b>	<b>2,439,774,216</b>	<b>746,840,151</b>	<b>27,839,161</b>	<b>959,203,067</b>	<b>1,733,882,379</b>
<b>Segment liabilities</b>	<b>1,356,429,383</b>	<b>20,645,353</b>	<b>404,502,057</b>	<b>1,781,576,793</b>	<b>634,088,614</b>	<b>22,691,507</b>	<b>441,797,636</b>	<b>1,098,577,757</b>

There are no transactions between the business segments.

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**16. Segment Information (continued)**

**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	19,244,326	143,417,335	230,777,152	5,093,178	417,933,443	-	417,933,443
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								<u>26,144,016</u>

**For the six months period ended 30 June 2018 (Unaudited)**

	Marine AED	Fire AED	Accident & Liabilities AED	General & Others AED	Group Life AED	Total Insurance AED	Investments AED	Total AED
Segment revenue – gross	19,484,657	18,787,499	139,499,247	63,089,638	6,092,803	246,953,844	-	246,953,844
Segment result – net	7,251,474	1,814,351	6,083,849	(240,275)	747,165	15,656,564	27,606,524	43,263,088
Unallocated costs								(12,578,921)
Profit for the period								<u>30,684,167</u>

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**17. 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.

**17.1 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 2019 AED	(Audited) 31 December 2018 AED
Due from policy holders	49,489,127	37,772,029
Gross outstanding claims	48,091,630	7,378,588

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.

**17.2 Transactions:**

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

	(unaudited) Three months period ended 30 June 2019 AED	(unaudited) Three months period ended 30 June 2018 AED	(unaudited) Six months period ended 30 June 2019 AED	(unaudited) Six months period ended 30 June 2018 AED
Gross premium written	10,001,673	10,632,882	10,422,889	12,039,019
Claims paid	423,003	463,530	744,393	948,910

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 2019 AED	(unaudited) Three months period ended 30 June 2018 AED	(unaudited) Six months period ended 30 June 2019 AED	(unaudited) Six months period ended 30 June 2018 AED
Key management staff:				
Short term benefits	852,975	833,475	1,705,950	1,666,950
Long term benefits	80,575	81,825	134,100	130,850
Board of Directors' remuneration	-	1,400,000	-	1,400,000

**18. Seasonality of results**

Investment income includes dividend income of AED 506,824 for the six months period ended 30 June 2019 (Six months period ended 30 June 2018: AED 1,293,518), which is of a seasonal nature.

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**For the six months period ended 30 June 2019**

**19. Commitments and contingent liabilities**

	(Unaudited) 30 June 2019 AED	(Audited) 31 December 2018 AED
Letters of guarantee	16,891,106	21,180,477

**20. 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 2018.

*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		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 June 2019 (Unaudited) AED	31 December 2018 (Audited) AED				
Quoted equity securities – FVTOCI	27,234,008	30,299,491	Level 1	Quoted bid prices in an active market.	None.	NA.
Unquoted equity securities – FVTOCI	8,404,506	11,443,656	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>35,638,514</u>	<u>41,743,147</u>				

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**20. 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 2019 (Unaudited)**

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<b>Financial assets at FVTOCI</b>				
Quoted equities	27,234,008	-	-	27,234,008
Unquoted equities	-	-	8,404,506	8,404,506
Investment properties	-	-	909,540,601	909,540,601
	<b>27,234,008</b>	<b>-</b>	<b>917,945,107</b>	<b>945,179,115</b>

**31 December 2018 (Audited)**

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<b>Financial assets at FVTOCI</b>				
Quoted equities	30,299,491	-	-	30,299,491
Unquoted equities	-	-	11,443,656	11,443,656
Investment properties	-	-	909,540,601	909,540,601
	<b>30,299,491</b>	<b>-</b>	<b>920,984,257</b>	<b>951,283,748</b>

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

**21. Dividends**

At the annual general meeting held on 15 April 2019, the Shareholders didn't approve any cash dividend for 2018 (30 June 2018: AED 25 Million for 2017) and no Board of Directors' remuneration (30 June 2018: AED 1.4 Million for 2017).

**22. Approval of condensed consolidated financial statements**

The condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on 29 July 2019.