

**AL KHAZNA INSURANCE
COMPANY P.S.C.**

**Reports and interim financial information
for the three months period ended
31 March 2016**

AL KHAZNA INSURANCE COMPANY P.S.C.

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**Report of the Board of Directors
for the three months period ended 31 March 2016**

The Board of Directors of Al Khazna Insurance Company P.S.C. is pleased to submit its first quarterly report of 2016 together with the interim financial information for the three month period ended 31 March 2016.

During the period, the Group managed to increase its share in the medical business and underwrite new business, which contributed to increasing the gross written premiums for the three months ended 31 March 2016.

Moreover during the quarter, the Group recognised a net loss on investments resulting from the decrease in share prices of certain listed investments.

The main highlights of the Group's financial results are summarized as follows:

- Gross Premium written increased from AED 27.5 million for the three months period ended 31 March 2015 to AED 70.9 million for the three months period ended 31 March 2016.
- The underwriting loss was AED 4.4 million for the three months period ended 31 March 2016 as compared to AED 2.3 million for the three months period ended 31 March 2015.
- The net investment results for the period registered a gain of AED 57 thousand for the three months period ended 31 March 2016 against AED 3.4 million in the three months period ended 31 March 2015.
- The net loss for the three months period ended 31 March 2016 is AED 11.1 million against net loss of AED 5.0 million for the three months period ended 31 March 2015.
- The total assets of the Group were AED 934.4 million as at 31 March 2016 against AED 904.1 million as at 31 December 2015 and AED 871.1 million as at 31 March 2015.
- The total capital and reserve attributable to the Company's equity holders is AED 338.5 million as at 31 March 2016 against AED 349.4 million as at 31 December 2015 and AED 412.5 million as at 31 March 2015.



Director

25 May 2016

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Al Khazna Insurance Company P.S.C.
Abu Dhabi, UAE

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Al Khazna Insurance Company P.S.C. (“the Company”) and its subsidiaries (“the Group”) as at 31 March 2016 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows and other explanatory information for the three months period then ended (together, the “interim financial information”). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, “*Interim Financial Reporting*”. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with 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.

Basis for qualified conclusion

As disclosed in Note 5 to the condensed consolidated financial statements, the Group’s investments include:

- An investment classified at FVTPL for which trading at the stock exchange has been suspended in September 2014. This investment is measured at its fair value at the date of suspension amounting to AED 44.4 million.
- Investments classified as available-for-sale (AFS) of AED 27.1 million which are measured based on 2014 financial information due to absent current information.

We were unable to obtain sufficient appropriate audit evidence supporting the fair value of these investments as at 31 March 2016. Consequently, we were unable to determine whether any adjustment to these amounts were necessary.

Qualified conclusion

Based on our review, except for possible effects of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34 *Interim Financial Reporting*.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

Emphasis of matter

Without further qualifying our conclusion, we draw attention to Note 4 to the condensed consolidated financial statements, which disclose that the Group's investment properties include two plots of land with a carrying value of AED 89.3 million whose title was not transferred to the name of the Group, pending the settlement of the last installment and concluding with the seller on an extension for the development period.

Deloitte & Touche (M.E.)

A handwritten signature in blue ink, appearing to be "Georges F. Najem", written over the printed name.

Georges F. Najem
Registration No. 809
25 May 2016

**Condensed consolidated statement of financial position
as at 31 March 2016**

	Notes	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
ASSETS			
Property and equipment		6,723,375	6,847,823
Investment properties	4	334,674,000	334,674,000
Investments in securities:			
- Available-for-sale (AFS) investments	5	75,982,457	75,803,618
- Investments designated at fair value through profit or loss (FVTPL)	5	183,515,240	187,250,824
Statutory deposit	6	10,000,000	10,000,000
Re-insurance contract assets	7	102,187,000	98,933,000
Insurance and other receivables	8	134,957,616	136,007,300
Deferred acquisition costs		8,746,000	6,452,973
Term deposits		1,800,927	1,800,927
Cash and cash equivalents	9	75,769,864	46,322,500
Total assets		934,356,479	904,092,965
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	420,000,000	420,000,000
Share premium		1,788,422	1,788,422
Legal reserve	11	62,145,349	62,145,349
Regulatory reserve	12	60,103,225	60,103,225
Fair value reserve		30,936,666	30,757,827
Revaluation reserve		11,736,841	11,736,841
Accumulated losses		(248,176,655)	(237,110,644)
Total capital and reserves		338,533,848	349,421,020
LIABILITIES			
Provision for end of service benefit		5,201,848	5,126,985
Insurance contract liabilities	7	259,145,000	221,508,000
Insurance and other payables	13	81,687,213	85,265,251
Bank borrowings	14	235,627,759	230,067,673
Re-insurance deposit retained		2,460,272	2,585,489
Unearned reinsurance commission		993,000	1,276,378
Accruals and deferred income		10,707,539	8,842,169
Total liabilities		595,822,631	554,671,945
Total equity and liabilities		934,356,479	904,092,965



Director



Managing Director



Chief Financial Officer

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of profit or loss (unaudited)
for the three months period ended 31 March 2016**

	Notes	3 months ended 31 March	
		2016 AED	2015 AED
Gross premiums written		70,941,947	27,524,686
Change in unearned premium provision		(21,417,000)	5,739,201
Premium income earned		49,524,947	33,263,887
Reinsurance premiums ceded		(6,481,540)	(6,263,740)
Change in unearned premium provision		(7,211,000)	(9,245,561)
Re-insurance ceded		(13,692,540)	(15,509,301)
Net earned premiums		35,832,407	17,754,586
Gross claims incurred		(56,307,623)	(18,153,515)
Reinsurance share of claims incurred		25,171,585	3,927,056
Net claims incurred		(31,136,038)	(14,226,459)
Commission expenses		(2,004,149)	(721,128)
Commission income		809,688	1,510,742
Operating expenses		(7,888,113)	(6,644,904)
Net underwriting loss		(4,386,205)	(2,327,163)
Net investment income	15	57,503	3,361,575
Other expenses		(1,180,213)	(1,180,214)
Finance costs		(6,178,131)	(5,118,501)
Other income		621,035	303,716
Loss for the period	17	(11,066,011)	(4,960,587)
Basic and diluted loss per share	18	(0.026)	(0.012)

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of comprehensive income (unaudited)
for the three months period ended 31 March 2016**

	3 months ended 31 March	
	2016	2015
	AED	AED
Loss for the period	(11,066,011)	(4,960,587)
Other comprehensive income:		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Net fair value gain/(loss) on AFS investments	178,839	(369,123)
Other comprehensive income/(loss) for the period	178,839	(369,123)
Total comprehensive loss for the period	(10,887,172)	(5,329,710)

The accompanying notes form an integral part of these condensed consolidated financial statements.

AL KHAZNA INSURANCE COMPANY P.S.C.

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Condensed consolidated statement of changes in equity
for the three months period ended 31 March 2016

	Share capital AED	Share premium AED	Legal reserve AED	Regulatory reserve AED	Fair value and Revaluation reserves AED	Accumulated losses AED	Total equity AED
Balance at 1 January 2015 (audited)	420,000,000	1,788,422	62,145,349	60,103,225	51,222,026	(177,439,767)	417,819,255
Loss for the period	-	-	-	-	-	(4,960,587)	(4,960,587)
Other comprehensive loss	-	-	-	-	(369,123)	-	(369,123)
Total comprehensive loss	-	-	-	-	(369,123)	(4,960,587)	(5,329,710)
Balance at 31 March 2015 (unaudited)	420,000,000	1,788,422	62,145,349	60,103,225	50,852,903	(182,400,354)	412,489,545
Balance at 1 January 2016 (audited)	420,000,000	1,788,422	62,145,349	60,103,225	42,494,668	(237,110,644)	349,421,020
Loss for the period	-	-	-	-	-	(11,066,011)	(11,066,011)
Other comprehensive income	-	-	-	-	178,839	-	178,839
Total comprehensive income/(loss)	-	-	-	-	178,839	(11,066,011)	(10,887,172)
Balance at 31 March 2016 (unaudited)	420,000,000	1,788,422	62,145,349	60,103,225	42,673,507	(248,176,655)	338,533,848

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of cash flows (unaudited)
for the three months period ended 31 March 2016**

	Notes	3 months ended 31 March	
		2016 AED	2015 AED
Cash flows from operating activities			
Loss for the period		(11,066,011)	(4,960,587)
Adjustments for:			
Depreciation of property and equipment	17	163,208	192,834
Net fair value loss/(gain) on investments at FVTPL	15	3,735,584	(791,050)
Dividends from investments in securities	15	(1,419,500)	(1,168,179)
Net income from investment properties	15	(2,613,034)	(1,656,646)
Interest on term deposits	15	(7,596)	(6,782)
Finance costs		6,178,131	5,118,501
Gain on disposal of property and equipment		(64,000)	-
Reversal of provisions for impairment of doubtful receivables, net		(22,524)	(460,228)
Provision for employees' end of service benefit		133,788	184,631
Cash flows used in operating activities before movement in working capital		(4,981,954)	(3,547,506)
Increase in in deferred acquisition costs		(2,293,027)	(163,306)
(Increase)/decrease in reinsurance contract assets		(3,254,000)	11,614,853
Increase/(decrease) in insurance contract liabilities		37,637,000	(8,925,096)
Decrease in unearned reinsurance commissions		(283,378)	(621,623)
Decrease/(increase) in insurance and other receivables		1,611,114	(4,273,024)
Decrease in insurance and other payables		(4,174,824)	(4,296,447)
Decrease in reinsurance deposit retained		(125,217)	(319,785)
Increase in accruals and deferred income		1,865,370	6,556,122
Cash flows generated from/(used in) operating activities		26,001,084	(3,975,812)
Employees' end of service benefits paid		(58,925)	(86,113)
Net cash generated from/(used in) operating activities		25,942,159	(4,061,925)
Cash flows from investing activities			
Payments to acquire property and equipment		(88,030)	(175,649)
Proceeds from sale of property and equipment		113,270	15,504
Dividends received		1,419,500	1,168,179
Net income received from investment properties		2,081,275	1,656,646
Interest income received		449	429
Net cash generated from investing activities		3,526,464	2,665,109
Cash flows from financing activities			
Dividends paid		(988)	-
Repayment of bank borrowings		(20,271)	-
Net cash used in financing activities		(21,259)	-
Net increase/(decrease) in cash and cash equivalents		29,447,364	(1,396,816)
Cash and cash equivalents at beginning of the period		46,322,500	30,123,360
Cash and cash equivalents at end of the period	19	75,769,864	28,726,544

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016****1 General information**

Al Khazna Insurance Company P.S.C. (“the Company”) is a public shareholding company. The Company and its subsidiaries (together the “Group”) are incorporated in the Emirate of Abu Dhabi by virtue of the Emiri Decree No. (4) dated 11 September 1996.

The Company’s principal activity is the writing of general insurance and re-insurance business of all classes.

The Company operates through its head office in Abu Dhabi and branch offices in Dubai and Al Ain. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 73343, Abu Dhabi, United Arab Emirates.

The Company’s ordinary shares are listed on Abu Dhabi Securities Exchange.

2 Application of new and revised International Financial Reporting Standards (IFRSs)**2.1 New and revised IFRSs applied with no material effect on the condensed financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these condensed financial statements. The application of these revised and new 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.

- Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity’s separate financial statements.
- Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.
- Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.
- Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.
- Annual improvements to IFRSs 2012 - 2014 cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.
- Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortisation.
- Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in *Joint Operations*.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.2 Standards and Interpretations in issue but not yet effective

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
2015 Amendments to the IFRS for SMEs	1 January 2017
Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

1 January 2018

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9

When IFRS 9 is first applied

IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

When IFRS 9 is first applied

IFRS 16 *Leases*

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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.

Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable, and adoption of these new standards, interpretations and amendments, except for IFRS 9 (2014), may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 9 (2014) will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018. The adoption of IFRS 9 (2014) may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of this standard until the Group performs a detailed review.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)****3 Summary of significant accounting policies****3.1 Statement of compliance**

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "*Interim Financial Reporting*".

3.2 Basis of preparation

The condensed consolidated financial statements are presented in UAE Dirhams (AED) which is the Group's functional and presentation currency.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of investment properties and certain financial instruments.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investment securities and investment properties have been disclosed in Notes 3.4 to 3.5 below.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective 1 January 2016.

These condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2015. In addition, results for the three months ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

Estimates

The preparation of these condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies, and the key sources of estimates uncertainty were the same as those were applied to the consolidated financial statements as at and for the year ended 31 December 2015.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation

The condensed consolidated financial statements incorporate the financial statements of the Company and the following entities:

Name of subsidiary	Proportion of ownership		Country of incorporation	Principal activities
	31 March 2016	31 December 2015		
The Best Tenants LLC ***	99%	99%	UAE	To market, promote and deliver property management and advisory services.
Real Estate Academy Est. (Al Akarya Academy) **	100%	100%	UAE	To market, promote and delivery management and advisory services in respect of real estate.
Al Khazna Real Estate Est. *	100%	100%	UAE	To market, promote and deliver management and advisory services in respect of real estate.
Modern Academy Administrative Training LLC *	100%	100%	UAE	To provide business management training.
IT Academy LLC *	100%	100%	UAE	To provide business management training.
Real Estate Academy for Training LLC *	100%	100%	UAE	To provide business management training.
Academy of Tourism and Holidays LLC *	100%	100%	UAE	To provide training in the field of travel, tourism and hotel management.
First Deal Real Estate LLC ***	100%	100%	UAE	To manage investments in real estate.
Academy for Investment Est. *	100%	100%	UAE	To manage investments in real estate.
Under Writing Electronics Solutions Est. *	100%	100%	UAE	Data formatting, computer system and instruments filling services.
Tadawel Electronics Solutions Est. *	100%	100%	UAE	Software consultancy, storing and retrieving data.
Tel Fast Recruitment Agencies LLC *	99%	99%	UAE	Employment services – recruitment
Tel Fast Manpower Supply LLC *	99%	99%	UAE	Labourers supply services.

* These subsidiaries have not yet commenced operations and their trade licenses have expired and not been renewed.

** These subsidiaries have not yet commenced operations and do not have trade licenses.

***These subsidiaries have commenced operations but their trade licenses have expired and not been renewed.

The ownership is held by the Company and its subsidiaries.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

3 Summary of significant accounting policies (continued)

3.4 Investments in securities

3.4.1 Investments carried at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair values of financial assets at fair value through profit or loss are determined by reference to quoted market prices.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the 'net investment income' line item in the profit and loss.

3.4.2 Available for sale (AFS) investments

Investments not classified as "FVTPL", loans and receivables, and held-to-maturity investments are classified as AFS investments and are initially measured at trade date value, plus directly attributable transaction costs.

After initial recognition, AFS investments are remeasured at fair value, based on quoted market prices for quoted shares and third party valuations for unquoted shares at the end of reporting period.

Unrealised gains and losses on remeasurement to fair value on AFS investments are recognised directly in equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gains or losses previously reported in equity are included in profit or loss.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)****3 Summary of significant accounting policies (continued)****3.4 Investments in securities (continued)****3.4.2 Available for sale (AFS) investments (continued)**

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3.5 Investment properties

Investment properties comprise completed properties which are held to earn rentals and/or for capital appreciation and properties under development which are properties being constructed or developed for future use as an investment property.

Investment property is measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss in the period in which they arise.

Upon completion of construction or development, a property is transferred from properties under development to completed properties.

4 Investment properties

Investment properties represent the fair value of plots of land with a total value of AED 160.3 million (31 December 2015: AED 160.3 million), and buildings with a fair value of AED 174.4 million (31 December 2015: AED 174.4 million) owned by the Group in Abu Dhabi, Al Ain and Mussaffah, UAE.

The fair value of the investment properties as of 31 December 2015 has been arrived at on the basis of valuations carried out by Colliers International P.O. Box 71591, Dubai, United Arab Emirates, independent valuers not related to the Group. Colliers International is a member of the Royal Institute of Surveyors, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair values of plots of land were arrived at by reference to market comparable approach, whereas for buildings the fair value was arrived at by combination of market comparable approach and income capitalisation approach. In estimating the fair value of the properties, the highest and best use of the property is considered as their current use. The inputs used in the valuation are not based on observable market data and thus the valuation techniques were considered to be Level 3 valuation. Management believes that there is no major change in the key assumptions used in the valuations performed as at 31 December 2015 accordingly there is no change in the fair value of the investment properties as at 31 March 2016 compared to 31 December 2015

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

4 Investment properties (continued)

A building with a carrying value of AED 153 million (31 December 2015: AED 153 million) is mortgaged in favour of First Gulf Bank against the bank loan (note 14).

Included within investment property are two plots of land with a carrying value of AED 89.3 million (31 December 2015: AED 89.3 million) whose title was not transferred to the name of the Group, pending the settlement of the last installment and concluding with the seller on an extension for the development period.

Also included within investment property is a plot of land valued at AED 10.8 million (31 December 2015: AED 10.8 million) registered in the name of previous directors who assigned full beneficial rights of the plot to the Group.

The property rental income earned by the Group from its investment properties, part of which is leased out under operating leases, and the direct operating expenses arising on the investment properties are as follows:

	3 months ended 31 March	
	2016 (unaudited) AED	2015 (unaudited) AED
Rental income	2,789,130	1,953,801
Direct operating expenses	(176,096)	(297,155)
Net income from investment properties (note 15)	2,613,034	1,656,646

5 Investments in securities

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
AFS investments		
Quoted UAE equity securities	5,678,367	5,774,610
Unquoted UAE equity securities	70,304,090	70,029,008
	75,982,457	75,803,618
Investments designated at FVTPL		
Quoted UAE securities	138,179,944	141,551,236
Unquoted UAE equity securities	487,500	487,500
Quoted foreign equity securities	105,885	105,888
Unquoted foreign equity securities	44,741,911	45,106,200
	183,515,240	187,250,824

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

5 Investments in securities (continued)

The movement in the investments in securities is as follows:

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
AFS investments		
Fair value at 1 January	75,803,618	84,530,976
Increase/(decrease) in fair value taken to other comprehensive income	178,839	(8,727,358)
Fair value at the end of the reporting period/year	75,982,457	75,803,618
Investments at FVTPL		
Fair value at 1 January	187,250,824	215,827,431
Decrease in fair value taken to profit or loss	(3,735,584)	(28,576,607)
Fair value at the end of the reporting period/year	183,515,240	187,250,824
The geographical distribution of investments is as follows:		
Within UAE	214,649,901	217,842,354
Outside UAE	44,847,796	45,212,088
	259,497,697	263,054,442

The Group's investments include:

- An investment classified at FVTPL that has been suspended in September 2014. This investment is measured in these condensed consolidated financial statements at its fair value at the date of suspension amounting to AED 44.4 million.
- Two unlisted investments classified as available-for-sale (AFS). Due to the lack of recent financial information, these investments are measured in these condensed consolidated financial statement at AED 27.1 million by reference to a fair valuation that is based on 2014 financial information.

6 Statutory deposit

In accordance with the requirements of UAE Federal Law No.6/2007 covering insurance companies and agencies, the Company maintains a bank deposit of AED 10,000,000 (31 December 2015: AED 10,000,000) which cannot be utilised without the consent of the UAE Insurance Authority.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

7 Insurance contract liabilities and re-insurance contract assets

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Insurance liabilities - gross		
- Claims reported unsettled	102,695,000	89,155,000
- Claims incurred but not reported	20,818,000	19,010,000
- Unearned premiums reserve	119,017,000	97,600,000
- Unallocated loss adjustment expense reserve	2,164,000	2,543,000
- Unexpired risk reserve	14,451,000	13,200,000
	<u>259,145,000</u>	<u>221,508,000</u>
Recoverable from re-insurers		
- Claims reported unsettled	72,895,000	66,714,000
- Claims incurred but not reported	12,481,000	8,197,000
- Unearned premiums reserve	16,811,000	24,022,000
	<u>102,187,000</u>	<u>98,933,000</u>
Insurance liabilities - net		
- Claims reported unsettled	29,800,000	22,441,000
- Claims incurred but not reported	8,337,000	10,813,000
- Unearned premiums reserve	102,206,000	73,578,000
- Unallocated loss adjustment expense reserve	2,164,000	2,543,000
- Unexpired risk reserve	14,451,000	13,200,000
	<u>156,958,000</u>	<u>122,575,000</u>

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

8 Insurance and other receivables

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Due from policy holders	65,680,405	79,070,181
Due from agents, brokers and intermediaries	46,926,619	37,447,005
Due from insurance companies	18,472,439	16,162,357
Less: provision for impairment of receivables	(16,554,201)	(16,576,725)
	114,525,262	116,102,818
Deposits and other receivables	15,088,025	16,002,687
Less: provision for impairment of other receivables	(8,138,452)	(8,138,452)
	6,949,573	7,864,235
Prepayments	5,070,983	5,709,730
Rent receivables	8,411,798	6,330,517
	134,957,616	136,007,300

Due from policy holders include an amount of AED 3.6 million receivable (31 December 2015: AED 3.3 million) from related parties (note 16).

Deposits and other receivables include an amount of AED 2.0 million (31 December 2015: AED 3.1 million) relating to security deposit for tender bonds.

Prepayments include prepaid rent amounting to AED 3.5 million (31 December 2015: 4.7 million) which represents a 5 year lease agreement that commenced on 19 November 2011 for a five storey building in Dubai World Center which management intends to use for a university project.

The Group signed a Memorandum of Understanding (MoU) with Abu Dhabi Holding, a related party, on 27 March 2013. As per the MoU, both parties agreed to enter into a partnership to establish and operate a University, whereby the Group contribution would be providing the leased premises to the partnership for which the prepaid rent of AED 3.5 million is outstanding as at 31 March 2016 (31 December 2015: AED 4.7 million). The partnership has not been established as at 31 March 2016 and is subject to obtaining regulatory approvals and finalisation of legal documentation.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

8 Insurance and other receivables (continued)

The movement in allowance for impairment of receivables in respect of receivables is as follows:

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
At the beginning of period/year	16,576,725	25,234,317
Provision for the period/year	-	284,096
Release of provision	(22,524)	(8,941,688)
At the end of the period/year	16,554,201	16,576,725

9 Cash and bank balances

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Balances held at UAE banks	74,003,994	44,629,331
Balances held at foreign banks abroad	1,506,051	1,514,844
Cash on hand	259,819	178,325
	75,769,864	46,322,500

10 Share capital

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Authorised: 420,000,000 shares of AED 1 each	420,000,000	420,000,000
Allotted, issued and fully paid: 420,000,000 shares of AED 1 each	420,000,000	420,000,000

11 Legal reserve

In accordance with the UAE Federal Law number (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

12 Regulatory reserve

In accordance with Article 57 of the Company's Articles of Association, 10% of the Company's annual profit is transferred to the regulatory reserve. This reserve may be used for such purposes as the Directors deem fit.

During the period, the Board of Directors of the Company resolved to transfer the regulatory reserve to reduce the accumulated losses. The Shareholders approved this transfer in their meeting held on 21 April 2016.

13 Insurance and other payables

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Due to insurance companies	17,472,035	13,851,368
Other insurance payables	33,327,313	43,419,295
Dividends payable	18,044,095	18,045,083
Accruals and other payables	12,843,770	9,949,505
	81,687,213	85,265,251

14 Bank borrowings

	Current AED	Non-current AED	Total AED
<u>As at 31 March 2016 (unaudited)</u>			
Term loan 1	9,944,245	-	9,944,245
Term loan 2	81,084	135,134	216,218
Bank overdrafts	225,467,296	-	225,467,296
	235,492,625	135,134	235,627,759
<u>As at 31 December 2015 (audited)</u>			
Term loan 1	25,644,245	-	25,644,245
Term loan 2	81,084	155,405	236,489
Bank overdrafts	204,186,939	-	204,186,939
	229,912,268	155,405	230,067,673

Term loan 1 is from First Gulf Bank and is repayable in semi-annual installments of AED 15.7 million each up to 2017. The loan carries interests at a rate of 6 month EIBOR + 1.50%. The Group has provided First Gulf Bank with a primary mortgage over AKIC Tower, classified under the investment properties, fair valued at AED 153 million (31 December 2015: AED 153 million).

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

14 Bank borrowings (continued)

Beginning 2009, the bank changed the interest rates on the bank loan and charged the Group interest rate greater than what was stipulated in the loan agreement. As per the agreement, changes in interest rate need to be mutually agreed by both parties through a written confirmation. The Group did not acknowledge any change in interest rate and requested the justification from the bank for the change in interest rate.

The bank has opened a bank overdraft facility in the name of the Group for the repayment of the eleven due installments on which the group defaulted from 2011 to 31 March 2016. The outstanding overdraft balance as at 31 March 2016 amounted to AED 225.5 million (31 December 2015: AED 204.2 million). The bank charged an interest at a rate of 10% on this overdraft facility.

Management believes that the 10% interest charged on the overdraft facility is excessive and the Company would not be eligible for more than 3% interest over the overdraft facility as a penalty for the due payments as per the original agreement.

The excess interest charged to date on the loan and the overdraft facility is approximately AED 20.1 million (31 December 2015: AED 19.9 million). This has not been recorded by the Group as a finance cost.

The Group has finalised the negotiation with the bank to restructure the term loan and overdraft balance. The total agreed liability to the bank will amount to AED 220 million consisting of a term loan of AED 185 million and bank overdraft of AED 35 million.

- The term loan will carry an interest of 3 Months EIBOR + 1.5% per annum, and will be repayable in 8 equal semi-annual instalments of AED 23.125 million.
- The overdraft will carry an interest of 1 month EIBOR + 1.5% per annum, and will be repayable on demand.

However, the restructuring is not yet executed with the Bank.

Term loan 2 is from a local bank and is repayable in monthly installments of AED 6,757 each up to November 2018. The loan carries interest at a rate of 5% per annum.

15 Net investment income

	3 months ended 31 March	
	2016 (unaudited) AED	2015 (unaudited) AED
Net income from investment properties (note 4)	2,613,034	1,656,646
Net fair value (loss)/gain on investments at FVTPL (note 5)	(3,735,584)	791,050
Dividend from investments in securities	1,419,500	1,168,179
Interest on term deposits	7,596	6,782
Other investment loss - net	(247,043)	(261,082)
	57,503	3,361,575

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

16 Related parties

Related parties comprise the major Shareholders, the Directors and key management personnel of the Group and those entities in which they have the ability to control or exercise significant influence in financial and operation decisions. The Group maintains significant balances with these related parties which arise from commercial transactions as follows:

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Due from policyholders (note 8)	3,646,468	3,340,021
Other receivables	3,572,166	3,572,166
Due to policyholders	199,363	40,700

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

	3 months ended 31 March	
	2016 (unaudited) AED	2015 (unaudited) AED
Net premiums written	3,201,383	3,479,221
Claims paid	70,986	890,603
Remuneration of key management personnel	1,819,081	1,823,343

The remuneration of key management personnel is based on the remuneration agreed in their employment contract as approved by the Board of Directors.

17 Loss for the period

Loss for the period is arrived after charging the following:

	3 months ended 31 March	
	2016 (unaudited) AED	2015 (unaudited) AED
Staff costs	5,606,168	5,348,952
Depreciation on property and equipment	163,208	192,834

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

18 Basic and diluted loss per share

Loss per share is calculated by dividing the loss for the period over the weighted average number of ordinary shares outstanding during the period as follows:

	3 months ended 31 March	
	2016 (unaudited)	2015 (unaudited)
Loss for the period (AED)	(11,066,011)	(4,960,587)
Weighted number of ordinary shares in issue throughout the period	420,000,000	420,000,000
Basic loss per share (AED)	(0.026)	(0.012)

As of 31 March 2016 and 2015, the Group has not issued any instruments that have an impact on earnings per share when exercised and accordingly diluted earnings per share are the same as basic earnings per share.

19 Cash and cash equivalents

	31 March 2016 (unaudited) AED	31 March 2015 (unaudited) AED
Term deposits	1,800,927	1,774,848
Cash and bank balances	75,769,864	28,726,544
Less: Term deposits with original maturity of more than three months	(1,800,927)	(1,774,848)
Cash and cash equivalents	75,769,864	28,726,544

20 Seasonality of results

No income of seasonal nature was recorded in the statement of profit or loss for the three months period ended 31 March 2016 and 2015.

21 Contingent liabilities and commitments

At 31 March 2016, the Group had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 2.0 million (31 December 2015: AED 0.3 million).

The Group also has a commitment to pay AED 9.2 million (31 December 2015: AED 9.2 million) for a flat in a property under development in Dubai.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

22 Segment information

For operating purposes, the Group is organised into two main business segments:

- Underwriting of general insurance business - incorporating all classes of general insurance such as; fire, marine, motor, general accident and miscellaneous.
- Investments - Incorporating investments in marketable equity securities, term deposits with banks and investment properties and other securities.

Primary segment information - business segment

The following is an analysis of the Group's revenue and results by operating segment:

	3 months ended 31 March (unaudited)					
	Underwriting		Investments		Total	
	2016 AED	2015 AED	2016 AED	2015 AED	2016 AED	2015 AED
Segment revenue	71,751,635	29,035,429	57,503	3,361,575	71,809,138	32,397,004
Segment result	(4,386,205)	(2,327,163)	(1,122,710)	2,181,361	(5,508,915)	(145,802)
Unallocated expenses					(5,557,096)	(4,814,785)
Loss for the period					(11,066,011)	(4,960,587)

The following is an analysis of the Group's assets and liabilities by operating segment:

	Underwriting		Investments		Total	
	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
	Segment assets	252,613,991	248,241,096	605,972,624	609,529,369	858,586,615
Unallocated assets					75,769,864	46,322,500
Total assets					934,356,479	904,092,965
Segment liabilities	331,443,238	297,717,020	246,335,298	238,909,842	577,778,536	536,626,862
Unallocated liabilities					18,044,095	18,045,083
Total liabilities					595,822,631	554,671,945

There were no transactions between the business segments during the period.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

22 Segment information (continued)

Secondary segment information - revenue from underwriting departments

The following is an analysis of the Group's revenues (gross written premiums and commission income) classified by major underwriting departments.

	3 months ended 31 March	
	2016	2015
	(unaudited)	(unaudited)
	AED	AED
Motor	29,554,105	9,149,251
Engineering	850,725	1,494,083
Fire and General Accidents	4,336,798	3,734,267
Marine and Aviation	733,746	794,865
Employee Benefits, Medical and Personal Assurance	36,276,261	13,862,963
	71,751,635	29,035,429

23 Fair value of financial instruments

While the Group prepares its consolidated statements under the historical cost convention modified for measurement to fair value of investments carried at fair value and investment properties, in the opinion of management, the estimated carrying values and fair values of financial assets and liabilities, that are not carried at fair value in the consolidated financial statements are not materially different, since assets and liabilities are either short term in nature or in the case of deposits, frequently repriced.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

23 Fair value of financial instruments (continued)

31 March 2016 (unaudited)	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
ASSETS MEASURED AT FAIR VALUE				
At fair value through profit or loss				
Quoted equity securities	138,285,829	-	-	138,285,829
Unquoted equity securities	-	-	45,229,411	45,229,411
	<u>138,285,829</u>	<u>-</u>	<u>45,229,411</u>	<u>183,515,240</u>
AFS financial assets				
Quoted equity securities	5,678,367	-	-	5,678,367
Unquoted equity securities	-	10,211,591	60,092,499	70,304,090
	<u>5,678,367</u>	<u>10,211,591</u>	<u>60,092,499</u>	<u>75,982,457</u>
31 December 2015 (audited)				
	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
ASSETS MEASURED AT FAIR VALUE				
At fair value through profit or loss				
Quoted equity securities	141,657,124	-	-	141,657,124
Unquoted equity securities	-	-	45,593,700	45,593,700
	<u>141,657,124</u>	<u>-</u>	<u>45,593,700</u>	<u>187,250,824</u>
AFS financial assets				
Quoted equity securities	5,774,610	-	-	5,774,610
Unquoted equity securities	-	9,936,509	60,092,499	70,029,008
	<u>5,774,610</u>	<u>9,936,509</u>	<u>60,092,499</u>	<u>75,803,618</u>

During the period, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements (31 December 2015: none).

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

23 Fair value of financial instruments (continued)

The following table shows a reconciliation of all movements in the fair value of financial assets categorised within Level 3 between the beginning and the end of the period:

	31 March 2016 (unaudited) AED	31 December 2015 (audited) AED
Opening balance	105,686,199	68,964,789
Transfer into level 3	-	44,776,200
Net change in fair value	(364,289)	(8,054,790)
Closing balance	105,321,910	105,686,199

24 Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 May 2016.