

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

**Reports and interim financial information
for the nine months period ended
30 September 2015**

AL KHAZNA INSURANCE COMPANY P.S.C.

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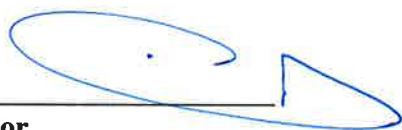
**Report of the Board of Directors
for the nine months period ended 30 September 2015**

Al Khazna Insurance Company P.S.C. is pleased to submit its third quarterly report of 2015 together with the condensed interim financial information for the nine months ended 30 September 2015.

During the period, the Group managed to increase its share in the motor and medical business and underwrite new business which contributed to increasing the gross written premiums for the nine months ended 30 September 2015.

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

- Gross Premium written (increased 20.09%) from AED 100.43 million for the nine months period ended 30 September 2014 to AED 120.61 million for the nine months period ended 30 September 2015.
- The underwriting surplus was AED 9.11 million for the nine months period ended 30 September 2015 (16.88% decrease) as compared to AED 10.96 million for the nine months period ended 30 September 2014.
- The operating expense net of doubtful accounts was reduced by 33.51% AED 13.09 million for the nine months period ended 30 September 2015 as compared to AED 19.69 million for the nine months period ended 30 September 2014.
- In the net investment results, company manage to reduce the loss by 57.54%, from a loss of AED 36.88 million in the nine months period ended 30 September 2014 to a loss of AED 15.66 million in the nine months period ended 30 September 2015.
- The net loss for the nine months period ended 30 September 2015 is AED 38.14 million (38.94% decrease) against net loss of AED 62.46 million for the nine months period ended 30 September 2014.
- The total assets of the Group were AED 861.12 million as at 30 September 2015 against AED 878.62 million as at 31 December 2014.
- The total capital and reserve attributable to the Company's equity holders is AED 374.61 million as at 30 September 2015 against AED 417.82 million as at 31 December 2014.



Director

15 November 2015

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 30 September 2015 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows and other explanatory information for the nine 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 8, Insurance and other receivables include a balance of prepaid rent of AED 5.9 million (31 December 2014: AED 9.4 million) relating to a leased building which management intends to use for a university project. The future economic benefits from the leased property will flow to the Group only if the university project materialises. At the date of this report, the project status and documentation in place do not provide sufficient evidence that future economic benefits will probably flow to the Group. Accordingly, we were unable to satisfy ourselves that the prepaid rent reflected in the accompanying condensed consolidated statement of financial position is fairly stated.

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*.


Deloitte & Touche (M.E.)


Georges F. Najem
Registration No. 809
15 November 2015

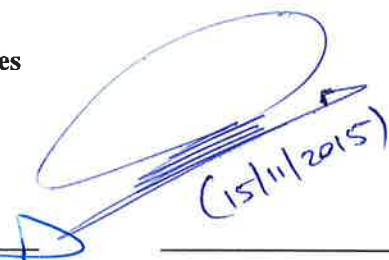


**Condensed consolidated statement of financial position
as at 30 September 2015**

	Notes	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
ASSETS			
Property and equipment		6,890,320	7,068,202
Investment properties	4	332,724,000	333,124,000
Investments in securities			
- Available-for-sale (AFS) investments	5	79,461,204	84,530,976
- Investments designated at fair value through profit or loss (FVTPL)	5	186,080,373	215,827,431
Statutory deposit	6	10,000,000	10,000,000
Re-insurance contract assets	7	90,051,374	99,488,168
Insurance and other receivables	8	105,615,953	93,711,043
Prepayments		1,487,808	1,259,743
Deferred acquisition costs		3,587,201	1,912,644
Term deposits		1,800,927	1,774,848
Bank and cash	9	43,416,869	30,123,360
Total assets		861,116,029	878,820,415
EQUITY AND LIABILITIES			
Equity			
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		34,415,413	39,485,185
Revaluation reserve		11,736,841	11,736,841
Accumulated losses		(215,583,743)	(177,439,767)
Total equity		374,605,507	417,819,255
LIABILITIES			
Provision for employees' end of service benefit		4,929,330	4,389,215
Insurance contract liabilities	7	163,624,211	158,802,151
Insurance and other payables	13	85,883,690	80,294,537
Bank borrowings	14	223,295,707	207,926,622
Re-insurance deposit retained		2,647,876	3,422,608
Unearned reinsurance commission		3,061,891	2,617,868
Deferred income		3,067,817	3,548,159
Total liabilities		486,510,522	461,001,160
Total equity and liabilities		861,116,029	878,820,415



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 nine months period ended 30 September 2015**

	Notes	3 months ended 30 September		9 months ended 30 September	
		2015 AED	2014 AED	2015 AED	2014 AED
Gross premiums written		46,283,517	45,667,240	120,608,295	100,432,449
Change in unearned premium provision		(8,582,903)	(17,753,084)	(14,563,955)	(24,021,762)
Premium income earned		37,700,614	27,914,156	106,044,340	76,410,687
Reinsurance premiums ceded		(22,223,361)	(25,875,150)	(50,888,323)	(54,694,628)
Change in unearned premium provision		7,085,789	9,607,351	5,671,981	9,760,715
Re-insurance ceded		(15,137,572)	(16,267,799)	(45,216,342)	(44,933,913)
Net earned premiums		22,563,042	11,646,357	60,827,998	31,476,774
Gross claims incurred		(19,775,815)	(15,900,268)	(63,456,015)	(44,822,064)
Reinsurance share of claims incurred		1,379,176	5,801,481	13,263,774	20,964,773
Net claims incurred		(18,396,639)	(10,098,787)	(50,192,241)	(23,857,291)
Commission expenses - net		(746,204)	(599,471)	(5,737,687)	(1,922,195)
Commission income		1,369,023	2,085,850	4,211,024	5,260,878
Operating expenses, net		677,113	(6,350,725)	(13,087,287)	(19,690,897)
Net underwriting income/(loss)		5,466,335	(3,316,776)	(3,978,193)	(8,732,731)
Net investment income/(loss)	15	7,654,585	(8,880,199)	(15,656,692)	(36,884,412)
Operating expenses		(1,180,052)	(1,180,055)	(3,540,317)	(3,555,156)
Finance costs		(5,652,776)	(4,754,180)	(16,215,868)	(13,654,246)
Other income		539,860	112,384	1,247,094	370,441
Profit/(loss) for the period attributable to equity holders of the parent company	17	6,827,952	(18,018,826)	(38,143,976)	(62,456,104)
Basic and diluted earnings/(loss) per share	18	0.016	(0.042)	(0.090)	(0.149)

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the nine months period ended 30 September 2015**

	Note	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
		2015 AED	2014 AED	2015 AED	2014 AED
Profit/(loss) for the period		6,827,952	(18,018,826)	(38,143,976)	(62,456,104)
Other comprehensive income/(loss):					
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Net fair value gain/(loss) on AFS Investments	5	1,344,961	1,517,293	(5,069,772)	(707,768)
Total comprehensive income/(loss) for the period attributable to equity holders of the parent company		8,172,913	(16,501,533)	(43,213,748)	(63,163,872)

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

Condensed consolidated statement of changes in equity
for the nine months period ended 30 September 2015

	Share capital AED	Share premium AED	Legal reserve AED	Regulatory reserve AED	Fair value and revaluation reserves AED	Accumulated losses AED	Attributable to equity holders of the Company AED
Balance at 1 January 2014 (audited)	420,000,000	1,788,422	62,145,349	60,103,225	43,596,259	(108,997,170)	478,636,085
Loss for the period	-	-	-	-	-	(62,456,104)	(62,456,104)
Other comprehensive loss	-	-	-	-	(707,768)	-	(707,768)
Total comprehensive loss for the period	-	-	-	-	(707,768)	(62,456,104)	(63,163,872)
Balance at 30 September 2014 (unaudited)	420,000,000	1,788,422	62,145,349	60,103,225	42,888,491	(171,453,274)	415,472,213
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	-	-	-	-	-	(38,143,976)	(38,143,976)
Other comprehensive loss	-	-	-	-	(5,069,772)	-	(5,069,772)
Total comprehensive loss for the period	-	-	-	-	(5,069,772)	(38,143,976)	(43,213,748)
Balance at 30 September 2015 (unaudited)	420,000,000	1,788,422	62,145,349	60,103,225	46,152,254	(215,583,743)	374,605,507

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

**Condensed consolidated statement of cash flows (unaudited)
for the nine months period ended 30 September 2015**

	Notes	9 months ended 30 September	
		2015 AED	2014 AED
Cash flows from operating activities			
Loss for the period		(38,143,976)	(62,456,104)
Adjustments for:			
Depreciation of property and equipment		548,800	553,559
Net fair value loss on investment properties	4	400,000	740,000
Net fair value loss on investments at FVTPL	15	29,747,058	48,765,961
Dividends from investments in securities	15	(8,775,041)	(9,270,897)
Interest income	15	(21,682)	(55,644)
Finance costs		16,215,868	13,654,246
Gain on disposal of property, plant and equipment		(97,766)	(155,263)
(Reversal)/allowance for doubtful debts, net	8	(7,921,636)	1,822,740
Provision for employees' end of service benefit		689,984	555,164
Cash flow used in operating activities before movement in working capital			
		(7,358,391)	(5,846,238)
Net movement in deferred acquisition costs		(1,674,557)	(882,786)
Net movement in reinsurance contract assets		9,436,794	(21,413,798)
Net movement in insurance contract liabilities		4,822,060	35,939,521
Net movement in unearned reinsurance commissions		444,023	629,518
Increase in insurance and other receivables		(3,988,829)	(13,191,035)
Increase in prepayments		(228,065)	(518,023)
Increase in insurance and other payables		4,803,183	27,955
Decrease in reinsurance deposit retained		(774,732)	(561,023)
Decrease in deferred income		(480,342)	(238,011)
Cash generated from/(used in) operating activities			
		5,001,144	(6,053,920)
Employees' end of service benefit paid		(149,869)	(330,964)
Net cash generated from/(used in) operating activities			
		4,851,275	(6,384,884)
Cash flows from investing activities			
Movement in term deposits with original maturity of greater than three months		(26,079)	(36,828)
Payments for acquisition of property and equipment		(386,422)	(259,882)
Dividends received		8,775,041	9,270,897
Interest income received		27,237	69,217
Proceeds from disposal of property and equipment		113,270	273,153
Net cash generated from investing activities			
		8,503,047	9,316,557
Cash flows from financing activity			
Repayment of bank loan		(60,813)	-
Net increase in cash and cash equivalents			
		13,293,509	2,931,673
Cash and cash equivalents at beginning of the period		30,123,360	30,178,380
Cash and cash equivalents at end of the period	19	43,416,869	33,110,053

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

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015**

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 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective

At the date of authorisation of these condensed consolidated financial statements, the following new and revised IFRSs were in issue but not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 7 <i>Financial Instruments</i> : Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments</i> : 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 9 <i>Financial Instruments</i> (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 <i>Financial Instruments</i> (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 <i>Financial Instruments: Recognition and Measurement</i> .	1 January 2018
IFRS 9 <i>Financial Instruments</i> (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.	

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Finalised version of IFRS 9 (IFRS 9 <i>Financial Instruments</i> (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	
IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets: (2) the classification and measurement requirements for both financial assets and financial liabilities: (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015.	
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	1 January 2016
Amendments to IFRS 11 to clarify accounting for acquisitions of <i>Interests in Joint Operations</i> .	1 January 2016
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.	1 January 2016
Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
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.	1 January 2016

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the financial statements of the Group in the period of initial application.

Management anticipates that IFRS 9 will be adopted in the Group's financial statements for the annual period beginning 1 January 2018. The application of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of 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.

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*" and also comply with the applicable requirements of the laws in the UAE.

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.

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

3 Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

The accounting policies and estimates 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 2014, except for the adoption of new standards and interpretations effective 1 January 2015.

The following new and revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 *Employee Benefits* clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

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 2014. In addition, results for the nine months ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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 2014.

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (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
	30 September 2015	31 December 2014		
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 nine months period ended 30 September 2015 (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 nine months period ended 30 September 2015 (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 2014: AED 160.3 million), and buildings with a fair value of AED 172.5 million (31 December 2014: AED 172.9 million) owned by the Group in Abu Dhabi, Al Ain and Mussaffah.

During the current period, there was a decrease in the fair value of investment properties amounting to AED 400,000 (2014: AED 740,000).

The fair value of the investment properties as of 30 September 2015 has been arrived at on the basis of valuations carried out by M/s Colliers International P.O. Box 71591, Dubai, United Arab Emirates, independent valuers not related to the Group.

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.

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

4 Investment properties (continued)

A building with a carrying value of AED 149 million (31 December 2014: AED 149 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 2014: AED 89.3 million) whose title was not transferred to the name of the Group, pending the settlement of the last installment. Also included within investment property is a plot of land valued at AED 10.8 million (31 December 2014: AED 10.8 million) whose transfer of title is currently being processed.

All investment properties are located in the United Arab Emirates.

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:

	9 months period ended 30 September	
	2015 (unaudited) AED	2014 (unaudited) AED
Rental income	7,060,796	4,773,601
Direct operating expenses	(1,123,160)	(709,931)
	<hr/>	<hr/>
Net income from investment properties (note 15)	5,937,636	4,063,670
	<hr/> <hr/>	<hr/> <hr/>
5 Investments in securities	30 September	31 December
	2015	2014
	(unaudited)	(audited)
	AED	AED
AFS investments		
Quoted UAE equity securities	6,101,838	5,774,610
Unquoted UAE equity securities	73,359,366	78,756,366
	<hr/>	<hr/>
	79,461,204	84,530,976
	<hr/> <hr/>	<hr/> <hr/>
Investments designated at FVTPL		
Quoted UAE securities	141,341,900	170,683,999
Quoted foreign equity securities	44,400,473	44,805,432
Unquoted foreign equity securities	338,000	338,000
	<hr/>	<hr/>
	186,080,373	215,827,431
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

5 Investments in securities (continued)

The movement in the investments in securities is as follows:

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
AFS investments		
Fair value at 1 January	84,530,976	76,905,209
(Decrease)/increase in fair value taken to other comprehensive income	(5,069,772)	7,625,767
	<hr/>	<hr/>
Fair value at the end of the reporting period/year	79,461,204	84,530,976
	<hr/> <hr/>	<hr/> <hr/>
Investments at FVTPL		
Fair value at 1 January	215,827,431	265,604,878
Decrease in fair value taken to profit or loss	(29,747,058)	(49,777,447)
	<hr/>	<hr/>
Fair value at the end of the reporting period/year	186,080,373	215,827,431
	<hr/> <hr/>	<hr/> <hr/>
The geographical distribution of investments is as follows:		
Within UAE	220,803,104	255,214,975
Outside UAE	44,738,473	45,143,432
	<hr/>	<hr/>
	265,541,577	300,358,407
	<hr/> <hr/>	<hr/> <hr/>

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 2014: 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 nine months period ended 30 September 2015 (continued)**

7 Insurance contract liabilities and re-insurance contract assets

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Insurance liabilities		
- Claims reported unsettled	71,843,358	85,279,122
- Claims incurred but not reported	6,609,869	2,916,000
- Unearned premiums	85,170,984	70,607,029
	<u>163,624,211</u>	<u>158,802,151</u>
Recoverable from re-insurers		
- Claims reported unsettled	54,218,825	69,300,199
- Claims incurred but not reported	991,872	1,019,273
- Unearned premiums	34,840,677	29,168,696
	<u>90,051,374</u>	<u>99,488,168</u>
Insurance liabilities - net		
- Claims reported unsettled	17,624,533	15,978,923
- Claims incurred but not reported	5,617,997	1,896,727
- Unearned premiums	50,330,307	41,438,333
	<u>73,572,837</u>	<u>59,313,983</u>

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

8 Insurance and other receivables

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Due from policy holders	64,633,194	65,261,205
Due from agents, brokers and intermediaries	26,154,533	19,787,959
Due from insurance companies	16,650,257	14,863,582
Less: provision for impairment of receivables	(17,312,681)	(25,234,317)
	<u>90,125,303</u>	<u>74,678,429</u>
Deposits and other receivables	15,148,959	14,992,203
Less: provision for impairment of other receivables	(5,558,566)	(5,400,000)
	<u>9,590,393</u>	<u>9,592,203</u>
Prepaid rent	5,900,257	9,440,411
	<u>105,615,953</u>	<u>93,711,043</u>

Prepaid rent represents a 5 year lease agreement that commenced on 19 November 2011 for a 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 the university, whereby the Group contribution would be providing the leased premises to the partnership for which the prepaid rent of AED 5.9 million is outstanding as at 30 September 2015 (31 December 2014: AED 9.4 million). The partnership has not been established as at 30 September 2015 and is subject to obtaining regulatory approvals and finalisation of legal documentation.

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

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
At the beginning of period/year	25,234,317	28,820,306
Provision for the period/year	76,063	421,326
Release of provision	(7,997,699)	(4,007,315)
	<u>17,312,681</u>	<u>25,234,317</u>

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

9 Bank and cash

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Balances held at UAE banks	41,745,208	28,437,928
Balances held at foreign banks abroad	1,517,861	1,519,892
Cash on hand	153,800	165,540
	<u>43,416,869</u>	<u>30,123,360</u>

10 Share capital

	30 September 2015 (unaudited) AED	31 December 2014 (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 (8) of 1984 (as amended) 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.

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 until it reaches 50 % of the registered capital or based on a decision from the General Assembly. This reserve may be used for such purposes as the General Assembly deem fit and based on suggestion from the Board of Directors.

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

13 Insurance and other payables

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Due to insurance companies	22,860,467	20,924,489
Other insurance payables	34,514,483	31,521,617
Dividends payable	18,045,812	18,048,972
Accruals and other payables	10,462,928	9,799,459
	<hr/> 85,883,690 <hr/>	<hr/> 80,294,537 <hr/>

14 Bank borrowings

	Current AED	Non-current AED	Total AED
<u>As at 30 September 2015 (unaudited)</u>			
Term loan 1	24,234,446	-	24,234,446
Term loan 2	81,084	175,676	256,760
Bank overdrafts	198,804,501	-	198,804,501
	<hr/> 223,120,031 <hr/>	<hr/> 175,676 <hr/>	<hr/> 223,295,707 <hr/>
<u>As at 31 December 2014 (audited)</u>			
Term loan 1	31,400,000	22,341,662	53,741,662
Term loan 2	81,084	236,489	317,573
Bank overdrafts	153,867,387	-	153,867,387
	<hr/> 185,348,471 <hr/>	<hr/> 22,578,151 <hr/>	<hr/> 207,926,622 <hr/>

Term Loan 1 and Bank Overdrafts:

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 149 million (31 December 2014: AED 149 million).

Beginning 2009, the bank changed the interest rates on term loan 1 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.

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

14 Bank borrowings (continued)

The bank has opened a bank overdraft facility in the name of the Group for the repayment of the ten due installments on which the group defaulted from 2011 to 30 September 2015. The outstanding overdraft balance as at 30 September 2015 amounted to AED 198.8 million (31 December 2014: AED 153.9 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 bank 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 19.7 million (31 December 2014: AED 18.5 million). This has not been recorded by the Group as a finance cost.

During the period, the Group is in the process of finalising 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 is payable 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 is payable on demand.

Term Loan 2:

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 interests at a rate of 5% per annum.

15 Net investment income

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	2015 (unaudited) AED	2014 (unaudited) AED	2015 (unaudited) AED	2014 (unaudited) AED
Interest on term deposits	7,679	6,948	21,682	55,644
Net income from investment properties (note 4)	2,205,729	1,293,601	5,937,636	4,063,670
Net fair value loss on investment properties	-	-	(400,000)	(740,000)
Net fair value gain/(loss) on investments at FVTPL	4,639,780	(10,935,424)	(29,747,058)	(48,765,961)
Dividends from investments in securities	633,992	1,010,703	8,775,041	9,270,897
Other investment gains/(losses) – net	167,405	(256,027)	(243,993)	(768,662)
	7,654,585	(8,880,199)	(15,656,692)	(36,884,412)

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:

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

16 Related parties (continued)

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Due from policyholders	4,171,890	6,219,631
Other receivables	3,359,041	3,351,341
Claims payable	2,875	11,565

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

	3 months ended 30 September		9 months ended 30 September	
	2015 (unaudited) AED	2014 (unaudited) AED	2015 (unaudited) AED	2014 (unaudited) AED
Net premiums written	1,577,826	919,477	22,810,663	20,905,013
Claims paid	3,774,764	297,437	6,070,712	4,554,568
Remuneration of key management personnel	1,803,962	1,653,399	5,470,014	4,924,955

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 30 September		9 months ended 30 September	
	2015 (unaudited) AED	2014 (unaudited) AED	2015 (unaudited) AED	2014 (unaudited) AED
Staff costs	4,927,380	5,148,163	16,226,970	15,592,847
Depreciation on property and equipment	173,545	166,765	548,800	553,559

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

18 Basic and diluted earnings/(loss) per share

Earnings/(loss) per share is calculated by dividing the profit/(loss) for the period over the weighted average number of ordinary shares outstanding during the period as follows:

	3 months ended 30 September		9 months ended 30 September	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Profit/(loss) for the period (AED)	6,827,952	(18,018,826)	(38,143,976)	(62,456,104)
Weighted number of ordinary shares in issue throughout the period	420,000,000	420,000,000	420,000,000	420,000,000
Basic and diluted earnings/(loss) per share (AED)	0.016	(0.042)	(0.090)	(0.149)

As of 30 September 2015 and 2014, 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

	30 September 2015 (unaudited) AED	30 September 2014 (unaudited) AED
Term deposits	1,800,927	1,774,848
Bank balances and cash	43,416,869	33,110,053
Less: Term deposits with original maturity of greater than three months	(1,800,927)	(1,774,848)
Cash and cash equivalents	43,416,869	33,110,053

For the purpose of the statement of cash flows, bank overdraft amounting to AED 198.8 million (30 September 2014: AED 149.8 million) was excluded from cash and cash equivalents since it relates to the financing of the term loan 1 (Note 14) and is included within the financing activities.

20 Seasonality of results

No income of seasonal nature was recorded in the statement of profit or loss for the nine months period ended 30 September 2015 and 2014.

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

21 Contingent liabilities

At 30 September 2015, the Group had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 7.1 million (31 December 2014: AED 9.2 million).

The Group also has a commitment to pay AED 9.2 million (31 December 2014: AED 9.2 million) for a flat in a property under development in Dubai.

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:

	30 September (unaudited)					
	Underwriting		Investments		Total	
	2015 AED	2014 AED	2015 AED	2014 AED	2015 AED	2014 AED
Segment revenue	124,819,319	105,693,327	(15,656,692)	(36,884,412)	109,162,627	68,808,915
Segment result	(2,819,144)	(8,732,731)	(19,197,008)	(40,439,568)	(22,016,152)	(49,172,299)
Unallocated expenses					(16,127,824)	(13,283,805)
Loss for the period					(38,143,976)	(62,456,104)

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

22 Segment information (continued)

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

	Underwriting		Investments		Total	
	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Segment assets	207,632,656	203,439,800	610,066,504	645,257,255	817,699,160	848,697,055
Unallocated assets					43,416,869	30,123,360
Total assets					861,116,029	878,820,415
Segment liabilities	242,101,187	231,477,407	226,363,523	211,474,781	468,464,710	442,952,188
Unallocated liabilities					18,045,812	18,048,972
Total liabilities					486,510,522	461,001,160

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

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.

	9 months ended 30 September	
	2015 (unaudited) AED	2014 (unaudited) AED
Employee Benefits, Medical and Personal Assurance	41,311,456	29,414,518
Motor	32,253,281	20,321,143
Marine and Aviation	19,553,615	17,837,668
Fire and General Accidents	26,491,656	32,527,644
Engineering	5,209,311	5,592,354
	124,819,319	105,693,327

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

23 Fair value of financial instruments

Management considers that the fair values of financial assets and financial liabilities that are not measured at fair value approximates to their carrying amounts as stated in the condensed financial statements and are classified as level 2 in accordance with the IFRS 13 hierarchy.

The following table provides an analysis of financial instrument that are measured subsequent to initial recognition at fair value 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 (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Management has determined the fair value of these unquoted investments by applying an appropriate risk adjusted liquidity discount on the net assets of the investee companies.

30 September 2015 (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	185,742,373	-	-	185,742,373
Unquoted equity securities	-	-	338,000	338,000
	<u>185,742,373</u>	<u>-</u>	<u>338,000</u>	<u>186,080,373</u>
AFS financial assets				
Quoted equity securities	6,101,838	-	-	6,101,838
Unquoted equity securities	-	10,129,577	63,229,789	73,359,366
	<u>6,101,838</u>	<u>10,129,577</u>	<u>63,229,789</u>	<u>79,461,204</u>

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2015 (continued)**

23 Fair value of financial instruments (continued)

31 December 2014 (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	215,489,431	-	-	215,489,431
Unquoted equity securities	-	-	338,000	338,000
	<u>215,489,431</u>	<u>-</u>	<u>338,000</u>	<u>215,827,431</u>
AFS financial assets				
Quoted equity securities	5,774,610	-	-	5,774,610
Unquoted equity securities	-	10,129,577	68,626,789	78,756,366
	<u>5,774,610</u>	<u>10,129,577</u>	<u>68,626,789</u>	<u>84,530,976</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 2014: None).

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:

	30 September 2015 (unaudited) AED	31 December 2014 (audited) AED
Opening balance	68,964,789	60,653,125
Net change in fair value	(5,397,000)	8,311,664
Closing balance	<u>63,567,789</u>	<u>68,964,789</u>

24 Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 15 November 2015.