AL KHAZNA INSURANCE COMPANY P.S.C

UNITED ARAB EMIRATES

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

AL KHAZNA INSURANCE COMPANY P.S.C
UNITED ARAB EMIRATES

I N D E X

AL KHAZNA INSURANCE COMPANY P.S.C.

Report of the Board of Directors for the year ended 31 December 2019

On behalf of the Board of Directors of Al Khazna Insurance Company PSC, We present the Board of Directors Report and Audited Consolidated Financial Statements for the year ended 31 December 2019

Presented below are the technical and financial results of the Group:

1. Profit/Loss for the year:

The Group's has recorded a loss of AED 13.9 million for the year 2019 compared to a loss of AED 13.9 million in 2018.

2. Insurance activities:

The Group had a reduction in its underwriting business for the Year 2019 by 99.19% as compared to the year 2018. The gross written premium decreased from AED 52.74 million in 2018 to AED 429,475 in 2019, mostly due to the fact that AKIC was banned from issuing insurance policies to all its class of business by the Insurance Authority till late 2019 .

The gross claims paid have decreased from AED 72.5 million in 2018 to AED 27 million in 2019.

The group registered a net underwriting loss of AED 24.88 million in 2019 compared to AED 11.80 million in 2018.

3. Investment activities:

From investment activities, The Company was able to register a positive income of AED 22.58 million for 2019 compared to AED 8.65 million in 2018.

Report of the Board of Directors for the year ended 31 December 2019 (continued..)

4. Expenses from operations:

Operating expenses allocated to underwriting decreased from AED 39.86 million in 2018 to AED 36.85 million in 2019. This is mainly due to drop in VAT penalties and salary.

5. Going forward:

The Group will continue the corrective measures adopted in previous year in order to maintain a steady growth way forward.

Further, the Company is going to adopt major reforms through Capital restructuring to address the accumulated losses which will involve reduction of Capital from 420 million to 150 million in compliance with articles 201-202-203 of the UAE's commercial companies' law of 2015. In addition to that, strict measures will be adopted to streamline the investment and operational areas.

Finally, the Board of Directors would like to extend its sincere thanks and gratitude to H.H. Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates and Ruler of the Emirate of Abu Dhabi H.H Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of UAE and Ruler of Dubai, H.H. Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi and the Rulers of all the other Emirates for their wise leadership and support. We would like to also thank the Securities and Commodities Authority, the Abu Dhabi Stock Market and the Insurance Authority for their continuous support.

The Board would like also to express its high appreciation to the Company's shareholders, corporate and individual customers, reinsurers, brokers and the Company's external auditors for their constant trust and continuous support in addition to the Company's management team and staff for their sincere efforts and dedication.

Khalifa Mohammed Rubaya Al Muhairi
Chairman

23 March 2020

INDEPENDENT AUDITOR'S REPORT

The Shareholders'
Al Khazna Insurance Company P.S.C
Public Shareholding Company
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statement of **Al Khazna Insurance Company P.S.C** and its subsidaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of other comprehinsive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to to the consolidated financial statements, including a summary of significant accounting policies.

we do not express an opinion on the accompanying consoildated financial statement of the group, because of the significant of matters described in the basis for disclaimer of openion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit openion on these consolidated financial statements.

Basis for Disclaimer opinion

- As discussed in Note 3 to the consolidated financial statements, as of the end of the reporting year, the Group's Incurred lossess amounting to AED 13,947,888 cash flows used in operating activities amounting to AED 58,907,349 and accumulated losses exceeded 50% of the share capital.

- A revised Management's plan and cash flow forecasts with revised dates for submission of the Corrective Plan and disposal of assets has been approved by the Board of Directors as of the date of this report. The cash flow forecasts include assumptions related to non-enforcement of the terms of the loan agreement in respect of recovering the whole outstanding loan balance including the forgiven amount and interest, and the group disposed property worth of 17.6 Millions in second quarter of 2018 and planning to dispose more in future.

- We were not provided with documentation related to these assumptions to support the appropriateness of the consolidated financial statements being prepared using the going concern basis of accounting. Consequently, we were unable to confirm or dispel whether it is appropriate to prepare the consolidated financial statements using the going concern basis of accounting.

- During the year the Group has incurred penalties from the Federal Tax Authority amounting to AED 6,623,456 due to not submitting payments of due taxes, while total penalties as of the date of the report reached AED 18,139,402.

Further, as disclosed in Note 1 to the consolidated financial statements:

- The consolidated financial statements includes the assets, liabilities and operating result for the subsidiaries company in which it has not audited by independent auditor as of 31 December 2019 and we can not satisfy our self by other audit procedure if the operating result of these subsidiaries will materially effect the consolidated financial statements.

- We would like to draw attention to Note 6 of consolidated financial statements in which the group's investment properties include two plots of land with a carrying value of AED 88.05 million as of 31 December 2019 (31 December 2018 : AED 90.4 million) for which the master developer did not transfer the titles to the name of the group, pending the settlement of title's transfers fees. We were unable to determine whether any adjustments to this amount were necessary.

- With refer to Note 7 (b) to the consolidated financial statement that provide details of the Group's investment designated through other comprehensive income and investments designated through profit and loss amounting to AED 9,852,839 and AED 42,285,323 respectively in which shares were frozen by Abu Dhabi court for urgent matters.

- We did not receive confirmation for the ownership of the shares in Al Firdouse amounting to AED 42,000 and Emirates Morocco Company amounting to AED 7,247,000 Note 7 (b) .

- We would like to draw attention to Note 9 &18 of the consolidated financial statements in which the group written back an amount of AED 10,404,156 from provision for impairment of receivables to other income, we did not receive sufficient and appropriate audit evidence for the written back of provision and the collectability of the related amount.

- We have not received bank confirmation letter from local and foriegn banks amounting to AED 1,268,657, moreover, a diffrence amounting AED 1,544,687 on loan balance between books of account and confirmation as of 31 December 2019. Accordingly we were unable to satisfy ourselves on the completeness of any special arrangements or restrictions arising from the relationship with these banks and on the completeness and accuracy of the balances and commitments held with these banks.

- During the 2nd quarter of 2019, the Group has defaulted in repayment of one loan installment which lead the bank to file a case against the Group claiming the total amount outstanding and previously forgiven amount of AED 39.4 million plus interest as per one of the covenants of the loan agreement. We didn't receive sufficient audit evidence on how the group will meet its future obligation.

- Subsequently to the date of report, the statutory deposit of the group was liquidated by an amount of AED 4,448,475 which has been transferred to the court's treasury against settlement of claims cases. This reduction in the statotary deposit caused that the Group non-complience with the federal low No. 6 of 2007 concerning Insurance companies and agents.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statement as whole, and in forming our opinion thereon, and we do not provide a seperate opinion on these matters.

The liability arise from insurance contract which includes unearned premiums reserves, claims under settelment reserve, claims Incurred but not reported reserve, un allocated loss adjustment expenses reserve, unexpired risk reserve and unearned reinsurance commission as explained in note (10 & 15) involves complex estimation process. These liabilities based on distributing the risk over coverage year, and were determined by the acturial accounts. These accounts are subject to explicit and implicit assumptions relating to the expected settelment amount and settelment patterns of claims.We focus on these provisions as it require the assistance of independent evauator and because of the complexity involved in the estimation process, and the significant judgments included in determinding the valuation of these liabilities.

Other Matters

- Management is responsible for the other information. Other information consists of the information included in the Group's 2019 annual report, other than consolidated financial statements and our auditor's report thereon.

- Our opinion on the consoilidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and in compliance with applicable provisions of Group's Articles of Association and UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the group's consolidated financial statements in accordance with International Standard on Auditing and to issue an auditor's report. However, because the of the Matters described in the basis for Disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financil statements.

We are independent of the group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Report on other legal and regulatory requirements

We are required to report on the application of the provisions of the UAE Federal Law No. (2) of 2015 and the Articles of Association of the Company as per Article 246 of the UAE Federal Law No. (2) of 2015. Further, as required by the U.A.E. Federal Law No. 6 of 2007, as amended, we are required to report whether we have obtained all the information and explanations we considered necessary for the purpose of our audit. However, due to the matters described in the Basis for Disclaimer of Opinion above, we are unable to report further on the application of these requirements.

Talal Abu Ghazaleh & Co. International

Talal Abu Ghazaleh & Co. International ABU DHABI
طلال ابو غزاله وشركاه الدولية أبوظبي

Firas Kilani
Licensed Auditor No. 632

23 March 2020

AL KHAZNA INSURANCE COMPANY P.S.C
UNITED ARAB EMIRATES

EXHIBIT A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	NOTE	2019	2018
ASSETS			
Property and equipment	5	**664,121**	1,075,850
Investments properties	6	**290,936,600**	296,942,860
Investments designated at fair value through other comprehensive income (FVTOCI)	7 (a)	**9,852,838**	39,110,469
Investments designated at fair value through profit and loss (FVTPL)	7 (b)	**42,285,323**	66,424,481
Statutory deposit	8	**10,102,133**	10,000,000
Premium and insurance balances receivables	9	**54,443,072**	56,608,917
Reinsurance contract assets	10	**37,328,841**	55,386,108
Other receivable and prepayments	11	**11,297,801**	13,285,441
Differed acquisition cost		**28,009**	294,655
Deposits		**26,355**	25,819
Cash and cash equivalents	12	**6,183,406**	9,113,416
TOTAL ASSETS		**463,148,499**	548,268,016
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO SHAREHOLDERS' OF THE PARENT			
Share premium		**1,788,422**	1,788,422
Accumulated (losses)		**(411,358,911)**	(397,411,023)
Issued and paid up share capital	13	**420,000,000**	420,000,000
Fair value reserve		**1,858,578**	18,712,135
Statutory reserve		**62,145,349**	62,145,349
Net equity - Exhibit C		**74,433,438**	105,234,883
LIABILITIES			
Borrowings from banks	14	**193,243,931**	187,167,259
End of service benefits obligation		**7,361,463**	6,849,506
Technical provisions	15	**42,139,547**	90,223,997
Insurance and other payables	16	**142,833,452**	153,227,956
Reinsurance deposit retained		**89,140**	573,002
Unearned reinsurance commission		**41,972**	499,861
Deferred income		**3,005,556**	4,491,552
Total liabilities		**388,715,061**	443,033,133
Total equity and liabilities		**463,148,499**	548,268,016

Chairman

Director

Head of Finance

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

AL KHAZNA INSURANCE COMPANY P.S.C
UNITED ARAB EMIRATES

EXHIBIT B

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	NOTE	2019	2018
Gross premium	21 (c)	**429,475**	52,736,188
Reinsurance share of ceded business premiums		**(4,615,030)**	(25,333,972)
Net premium		**(4,185,555)**	27,402,216
Change in unearned premium provision		**9,469,210**	28,103,276
Net premium earned		**5,283,655**	55,505,492
Commissions earned	21 (c)	**499,408**	1,632,340
Commissions paid		**(492,392)**	(5,599,854)
Gross underwriting income		**5,290,671**	51,537,978
Gross claims paid		**(27,221,385)**	(72,499,834)
Reinsurance share of insurance claims		**11,517,526**	21,003,672
Net claims paid		**(15,703,859)**	(51,496,162)
Change in claims under settlement reserve		**19,508,797**	22,062,829
Change in reinsurance share for claims under settlement reserve		**(10,235,612)**	(10,318,738)
Provision for outstanding claims recovery		**(1,827,447)**	----
Change in claims incurred but not reported reserve		**10,604,584**	20,065,145
Change in insurance share for claims incurred but not reported reserve		**1,797,358**	(10,771,600)
Change in unallocated loss adjustments expenses reserve		**1,095,261**	(720,231)
Change in unexpired risk reserve		**(384,966)**	8,169,084
Change in reinsurance share of unexpired reserve		**----**	(467,494)
Net claims incurred		**4,854,116**	(23,477,167)
Operating expenses	17	**(35,029,602)**	(39,864,495)
Net underwriting (loss)		**(24,884,815)**	(11,803,684)
Income from investments	18	**22,583,752**	8,655,037
Total (loss)		**(2,301,063)**	(3,148,647)
Finance cost		**(11,646,825)**	(10,769,282)
Net (loss) for the year - Exhibit D		**(13,947,888)**	(13,917,929)
(Loss) per ordinary share	19	**(0.0332)**	(0.0331)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

AL KHAZNA INSURANCE COMPANY P.S.C
UNITED ARAB EMIRATES

EXHIBIT B

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	NOTE	2019	2018
(Loss) for the year		(13,947,888)	(13,917,929)
Other comprehensive (loss):			
Fair value (loss) on investments at FVTOCI	7 (a)	**(4,876,131)**	(3,189,670)
Release of revaluation reserve due to disposals and write off investments at FVTOCI		**(11,977,426)**	6,861,057
Other comprehensive (loss) / income for the year		**(16,853,557)**	3,671,387
Total comprehensive (loss) for the year - Exhibit C		(30,801,445)	(10,246,542)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

AL KHAZNA INSURANCE COMPANY P.S.C

UNITED ARAB EMIRATES

EXHIBIT C

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	Share Premium	Accumulated (losses) (restated)	Issued and paid up share capital	Fair value and reserve (restated)	Statutory reserve	Total
Equity at 31 December 2017 - Exhibit A - (restated)	1,788,422	(383,493,094)	420,000,000	15,040,748	62,145,349	115,481,425
(Loss) for the year - Exhibit B	----	(13,917,929)	----	----	----	(13,917,929)
Other comprehensive (loss) for the year - Exhibit B	----	----	----	3,671,387	----	3,671,387
Equity at 31 December 2018 - Exhibit A	1,788,422	(397,411,023)	420,000,000	18,712,135	62,145,349	105,234,883
(Loss) for the year - Exhibit B	----	**(13,947,888)**	----	----	----	**(13,947,888)**
Other comprehensive (loss) for the year - Exhibit B	----	----	----	**(16,853,557)**	----	**(16,853,557)**
Equity at 31 December 2019 - Exhibit A	**1,788,422**	**(411,358,911)**	**420,000,000**	**1,858,578**	62,145,349	74,433,438

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

AL KHAZNA INSURANCE COMPANY P.S.C

UNITED ARAB EMIRATES

EXHIBIT D

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss) for the year - Exhibit B	(13,947,888)	(13,917,929)
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment	461,177	566,100
Net fair value loss / (gain) on investment properties	6,006,260	(11,752,860)
Write of investment designated at FVTOCI	----	3,112,789
Write of investment designated at FVTPL	----	4,100,500
Net fair value (gain) / loss on investment designated at FVTPL	(32,156,187)	9,046,604
Realized loss / (profit) on investment designated at FVTPL	29,534,730	(4,018,840)
Realized loss from sale of investments designated at FVTOCI	(11,977,426)	6,861,057
Net income from investment properties	(4,547,157)	(6,693,286)
Dividends from investments in securities	(5,951,447)	(7,621,722)
Interest income	(58,890)	(19,177)
Finance cost	11,646,825	10,769,282
(Gain) on disposal of property and equipment	----	7,701
Impairment of trade receivables (net)	(10,309,800)	(4,315,025)
Provision for outstanding claims recovery	1,827,447	----
End of service benefits obligation	912,705	749,919
Operating (loss) before working capital changes	(28,559,651)	(13,124,887)
Changes in the components of working capital:		
Decrease in deferred acquisition costs	266,646	2,528,503
Decrease in other reinsurance contract assets	16,229,820	29,778,849
(Decrease) in technical provision	(48,084,450)	(85,901,119)
(Decrease) in unearned reinsurance commission	(457,889)	(94,136)
Decrease in premium and insurance receivables	12,475,645	14,158,905
Decrease / (increase) in other receivables and prepayments	1,987,640	(3,739,917)
(Decrease) / increase in insurance and other payables	(10,394,504)	16,101,700
(Decrease) in reinsurance deposit retained	(483,862)	(845,816)
(Decrease) / increase in differed income	(1,485,996)	466,558
Net cash flows (used in) operating activities	(58,506,601)	(40,671,360)
Settlement of end of service benefit obligation	(400,748)	(262,038)
Net cash flows (used in) / from operating activities	(58,907,349)	(40,933,398)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CONT. EXHIBIT D

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal off investments properties	----	17,605,000
Disposal off investment designated at FVTOCI	**24,381,500**	8,802,756
(Increase) / decrease in deposits	**(536)**	1,832,814
Increase in statutory deposit	**(102,133)**	----
Purchase of property and equipment	**(49,448)**	(338,131)
Dividends received	**5,951,447**	7,621,722
Net income from investment in properties	**4,547,157**	6,693,286
Interest income received	**58,890**	19,177
Proceed from sale of investments designated at FVTPL	**26,760,615**	13,239,972
Net cash flows from investing activities	**61,547,492**	55,476,596
CASH FLOWS FROM FINANCING ACTIVITIES :		
Increase / (decrease) in borrowings from banks	**6,076,672**	(8,112,066)
Finance cost	**(11,646,825)**	(10,769,282)
Net cash flows (used in) financing activities	**(5,570,153)**	(18,881,348)
NET CASH FLOWS (USED) DURING THE YEAR	**(2,930,010)**	(4,338,150)
Cash and cash equivalents at beginning of the year	**9,113,416**	13,451,566
CASH AND CASH EQUIVALENTS AT END OF THE YEAR - Note 12	**6,183,406**	9,113,416

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

1. STATUS AND ACTIVITIES

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

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

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

d) The Company's ordinary shares are listed on Abu Dhabi Securities Exchange.

e) The consolidated financial statements of Al Khazna Insurance Company P.S.C. (the "Group") for the year from 1 January 2019 to 31 December 2019 includes assets, liabilities and the result of operations of the following subsidiaries:

Name of subsidiary	Proportion of ownership	Country of incorporation	Principal activities
The Best Tenants LLC ***	**99%**	UAE	To market, promote and deliver property management and advisory services.
Real Estate Academy Est. (Al Akarya Academy) **	**100%**	UAE	To market, promote and delivery management and advisory services in respect of real estate.
Al Khazna Real Estate Est. *	**100%**	UAE	To market, promote and deliver management and advisory services in respect of real estate.
Modern Academy Administrative Training LLC *	**100%**	UAE	To provide business management training.

Name of subsidiary	Proportion of ownership	Country of incorporation	Principal activities
IT Academy LLC *	100%	UAE	To provide business management training.
Real Estate Academy for Training LLC *	100%	UAE	To provide business management training.
Academy of Tourism and Holidays LLC *	100%	UAE	To provide training in the field of travel, tourism and hotel management.
First Deal Real Estate LLC ***	100%	UAE	To manage investments in real estate.
Academy for Investment Est. *	100%	UAE	To manage investments in real estate.
Under Writing Electronics Solutions Est. *	100%	UAE	Data formatting, computer system and instruments filling services.
Tadawel Electronics Solutions Est. *	100%	UAE	Software consultancy, storing and retrieving data.
Tel Fast Recruitment Agencies LLC *	99%	UAE	Employment services – recruitment.
Tel Fast Manpower Supply LLC *	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.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

a) The group has applied the following International Financial Reporting Standards (IFRSs) and amendments to these standards for the first time for their reporting period commencing 1 January 2019:

i. ***IFRS 16 - Leases***

IFRS 16 - Leases replaces IAS 17 - Leases along with IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC 15 - Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes in lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of right-of-use asset and a lease liability at the commencement of all leases, except for short-term leases and leases of low value assets. The requirements for lessor accounting have remained largely unchanged.

A detailed discussion of the impact of first time adoption of these standards are given in Note 22 to the consolidated financial statements.

b) The following amendments to standards are effective for the current year but are irrelevant to the establishment's operations:

- IFRS 9 - Financial Instruments - amendments relating to pre-payable financial assets with negative compensation.

- IAS 19 - Employee Benefits - amendments relating to plan amendment, curtailment or settlement.

- IAS 28 - Investments in Associates and Joint Ventures - amendments relating to long term interests in associates and joint ventures.

- Amendments IFRIC 23 - Uncertainty over Income Tax Treatments.

c) At the date of authorization of these consolidated financial statements, the following Standards and Interpretations have been issued but not yet effective :

	Effective for annual periods beginning on or after
Amendments to reference to the Conceptual Framework in IFRS Standards.	1 January 2020
Amendments to IFRS-3 Business Combinations to clarify the definition of a business.	1 January 2020
Amendments to IAS 1 and IAS 8 regarding the definition of material	1 January 2020
IFRS 17 - Insurance Contracts	1 January 2021
Amendments to IFRS-10 and IAS 28 regarding sale or contribution of assets between an investor and its associate or joint venture.	Indefinite

3. GOING CONCERN

a) During the reporting year, the group submitted its corrective plan to insurance authority and they are waiting the approval on it. The management decided in this corrective plan to reduced its underwriting activities in different lines of business until it concludes on corrective measures, which will be based on technical recommendations suggested by management. This has resulted in a reduction in cash inflows from the underwriting business and consequently a reduction in available cash as at the end of the reporting year.

The Group might not be able to meet its financial obligations for the coming 12 months if it does not generate sufficient cash flows through the operating activities and the disposal of additional assets.

b) The Financial Regulations for Insurance Companies (the "Regulations") issued by the IA sets specified limits for assets distribution and allocation. Holding inadmissible investments or non-compliance with the set limits affects the Group's ability to meet the Regulations' solvency requirements. The deadlines for compliance with the Regulations requirements vary between end of January 2017 and end of January 2018. Compliance with these requirements requires significant restructuring of the Group's investments portfolio based on different milestones within the current year, with full implementation.

Due to non-compliance with regulations requirments, the group is undergoing the suspensions of its operations from the insurance authorities.

c) The Group incurred losses amounting to AED 13,947,888 and cash flows used in operating activities amounted to AED 58,907,349 for the year ended 31 December 2019 and its accumulated losses exceeded 50% of its share capital as of 31 December 2019.

Management considers that the above factors present significant challenges to the group in terms of meeting its operating and financing cash flow requirements in the foreseeable future. Whilst management has planned the below measures to overcome those circumstances, there are material uncertainties over future results and cash flows.

- Management will reassess, based on the corrective plan, its pricing and reinsurance strategy to improve the performance of the medical line of business and its pricing and expense loadings of the motor and other lines of business. Management is also developing and implementing a plan to review the overall expenses across all lines of business. Management has a reasonable expectation that this Corrective Plan will enable the Group to generate profits or to at least reduce its losses from operating activities significantly.

- The Board has set an investment action plan for restructuring the Group's investments portfolio and for full or partial disposal of certain investments including plots of land, and/or other quoted and non-quoted investments to generate cash flows to support the operating and financing cash flow requirements in the short and medium term as well as to comply with Insurance Authority regulations requirements related to concentration and asset allocation limits.

- On 30 April 2018, the AGM passed a resolution to continue in the activity of the Company and authorized the Board to sell investment assets, if needed, to settle the bank loan and generate liquidity.

These conditions indicate the existence of multiple material uncertainties that may cast significant doubt on the group's ability to continue as a going concern and therefore that it may be unable to realize its assets and discharge its liabilities in the normal course of business. As a result of the mitigating measures described above, management has a reasonable expectation that the Group has adequate plan and resources to overcome these challenges and continue in operational existence for the foreseeable future.

This conclusion relies particularly on the Group being able to successfully implement its Corrective Plan for the insurance business, non-enforcement of the terms of the loan agreement in respect of recovering the whole outstanding loan balance including the forgiven amount and interest by the bank, release of ongoing suspension on operation, as well as for full or partial disposal of certain assets, so the Group can contain its losses, and generate positive cash flows from operating and investing activities. For these reasons, management continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

In the absence of the Group's ability to achieve management's planned measures, the going concern basis would be invalid and adjustments would have to be made to reduce the values of the assets as presented in the consolidated statement of financial position to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the group is consistent with those applied in prior periods except for the new and amended IFRS's effective as of 1 January 2019 as detailed in Note 2 (a) which did not have material impact on the consolidated financial statements of the group. The significant accounting policies adopted by the group in the preparation of the consolidated financial statements are as follows:-

a. *Consolidated Financial Statements Preparation Framework*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

b. *Consolidated Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting standards (IFRS) and applicable requirements of UAE Federal Law No. 6 of 2007 concerning Insurance Companies and Agents.

c. *Basis of preparation*

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement / revaluation of certain assets and financial instruments at a basis other than the historical cost. The significant accounting policies are set out below.

d. *Property and equipment*

Property and equipment held for use in the supply of goods or services, or for administrative purposes, are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

After initial recognition, the property and equipment are carried in the consolidated statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. The depreciation charge for each period is recognized in the consolidated statement of profit or loss. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the company over the estimated useful lives of the assets. The useful lives of the assets are estimated as follows:

Category	Useful life
Office equipment and decoration	4 years
Computer equipment and accessories	4 years
Motor vehicles	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with Note 4 (e).

On the subsequent derecognizing (sale or retirement) of the property and equipment, the resultant gain or loss, being the difference between the net disposal proceeds, if any, and the carrying amount, is included in the consolidated statement of income.

c. *Impairment of tangible assets*

At each consolidated statement of financial position date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset. An impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is decreased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation decrease.

f. *Investment properties*

Investment property (land or building) is property: (a) held by the group to earn rentals, (b) for capital appreciation rather than for use in production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business, and/or for undetermined use. Investment property is measured initially at its cost, including transaction costs and revalued annually by independent evaluators.

On the subsequent derecognition (sale or retirement) of the investment properties, the resultant gain or loss, being the difference between the net disposal proceeds, if any, and the carrying amount, is included in the statement of profit or loss.

g. *Financial assets designated at fair value through other comprehensive income (FVTOCI) and through profit and loss (FVTPL)*

At initial recognition, the group can make an irrevocable election (on an instrument - by - instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investments is held for trading.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value with gains and losses arising from changes in fair value recognized in other consolidated comprehensive income and accumulated in the investments revaluation reserve.

Financial assets are classified as FVTPL when they are held for trading which means they have been acquired principally for the purpose of selling in the near future. Financial assets of FVTPL are stated at their fair value, subsequent gains and losses arising from changes in fair value are recognized in consolidated statement of income.

h. *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each year. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

With the exception of financial assets designated at fair value through other comprehensive income (FVTOCI), if, in a subsequent year, the amount of the impairment loss decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investments at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of financial assets designated at fair value through consolidated other comprehensive income (FVTOCI), any increase / decrease will be recognized in profit and loss. Any increase in fair value subsequent to an impairment loss is recognized in other consolidated comprehensive income.

i. *Financial assets*

Any asset that is: cash, an equity instrument of another entity, or a debt instrument of another entity (a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity, or a contract that will or may be settled in the entity's own equity instruments).

The group does not have debt instruments that qualify for measurement at fair value through other comprehensive income nor at fair value through profit or loss. Moreover the group's financial assets does not have any equity instrument financial assets.

Initial measurement

Financial assets are recognized when the group becomes party to the contractual provisions of the instruments. At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

i) *Cash and cash equivalents*

Cash comprises unrestricted cash on hand and cash at banks - current accounts. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

ii) *Bank deposits*

Bank deposits are measured at amortized cost using the effective interest method.

iii) *Insurance receivables*

Insurance and other receivables do not bear interest. Insurance receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in statement of profit or loss.

j. *Leases*

The group assess whether a contract is or contains a lease, at inception of the contract. The group recognize a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is a lessee, except for short-term leases and leases of low-value assets for which lease payments are recognized as an expense in the consolidated statement of profit or loss on straight line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate. The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using effective interest method, by reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modification or to reflect revised in-substance fixed lease payments.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and any accumulated impairment. Right-of-use assets are depreciated over the lease term or useful life of the underlying asset which ever is shorter.

The carrying values of right-of-use assets are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists.

Whenever the group incurs an obligation for costs to dismantle and remove the leased assets or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured in accordance with Note 3 (e).

k. *Statutory reserve*

Pursuant to the Company's Articles of Association, 10% of net profit for the year to be withheld annually and retained in the statutory reserve account. The deduction shall be suspended when the balance in this reserve account amounts to at least 50% of the company's capital and is not available for distribution for shareholders'.

l. *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognized when the group becomes a party to the contractual provisions of the financial instrument. The group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

m. *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the year they occur. Borrowing costs consist of finance cost and other costs that an entity incurs in connection with the borrowing of funds.

n. *End of service benefits obligation*

Provision for employees' end-of-service benefits is calculated in accordance with the Federal Labour Laws of United Arab Emirates. The company measures its obligations under employees' benefits as described in IAS 19 using actuarial valuation method unless the differences between actuarial valuation and actual liability and service cost is

o. *Revenue recognition*

Recognition and measurement

Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and constitutions are fixed.

These contracts are casualty and property insurance contracts.

Casualty insurance contracts protects the group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

For all these insurance contracts, premium are recognized as revenue (earned premiums) proportionally over the year of coverage. The portion of premium received on in force contracts that relates to unexpired risks at the consolidated financial position date is reported as the unearned premium liability.

Claims and loss adjustments expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contracts holders or third parties damaged by the contracts holders.

Re-insurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements of reinsurance contracts are classified as re-insurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the group under which the contract holder is another insurer are included with insurance contracts. The benefits to which the group is entitled under its re - insurance contract held is recognized as re-insurance contract assets. The group assesses its re-insurance contract assets for impairment on a regular basis. If there is objective evidence that the re-insurance contract asset is impaired, the group reduces the carrying amount of the re -insurance contract assets to its recoverable amount and recognizes that impairment loss in the profit or loss. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the group and still unpaid at the end of the reporting year, in addition to claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the years of insurance subsequent to the financial position date and is estimated using the time proportionate method. The unearned premium calculated using the 365 days method to spread the premium written proportionally over the year of coverage for all lines of business, except for marine cargo, which is calculated as 25% of gross written premium and for engineering which is calculated on daily increasing basis over the term of the policy.

The re-insurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as re-insurance contract assets in the consolidated financial statements.

Provision for the premium which represent the portion of the premium subsequent to the consolidated financial statement date and where the premium is expected to be insufficient to cover anticipated claims, have been considered under the unexpired risk reserves ("URR") and booked under allocated and unallocated loss adjustments in the consolidated income statement.

Salvage and subrogation reimbursements

Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims.

Receivables and payables related to insurance contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in profit or loss.

Interest income

Interest income from fixed deposits are accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

p. *Foreign currencies*

The consolidated financial statements are presented in the UAE Dirhams (AED) which is the group's functional currency. In preparing the financial statements, transactions in currencies other than the group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each consolidated statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated statement of financial position date (closing rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in previous consolidated financial statements shall be recognized in the statement of income in the year in which they arise.

q. *Contingent liabilities*

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably.

r. *Critical accounting judgments and key sources of estimation uncertainty*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

i) *The ultimate liability arising from claims made under insurance contracts*

The estimation of ultimate liability arising from the claims made under insurance contracts is the group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the group will eventually pay for such claims. Estimates have to be made at the end of the reporting year both of the expected ultimate cost of claims reported as well as the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the group and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting year, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

Provision for the premium which represent the portion of the premium subsequent to the financial statement date and where the premium is expected to be insufficient to cover anticipated claims, have been considered under the unexpired risk reserves ("URR") and booked under allocated and unallocated loss adjustments in the consolidated income statement.

ii) *Liability adequacy test*

At the end of each reporting year, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investments income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

iii) *Useful lives of property and equipment*

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the assets, expected physical wear and tear, which depends on operational factors such as repair and maintenance program and physical obsolescence. The Management has not considered any residual value as it is deemed immaterial.

iv) *Impairment of financial assets*

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

5. **PROPERTY AND EQUIPMENT**

The details of cost, accumulated depreciation and respective carrying amounts of various categories of property and equipment are as follows:

	Office equipment and decoration	Computer equipment and accessories	Motors vehicles	Total
COST				
At 1 January 2019	6,985,614	6,955,299	944,026	14,884,939
Additions	48,833	615	----	49,448
At 31 December 2019	7,034,447	6,955,914	944,026	14,934,387
ACCUMULATED DEPRECIATION				
At 1 January 2019	(6,735,710)	(6,277,290)	(796,089)	(13,809,089)
Charge for the year - Note 17	(88,920)	(315,282)	(56,975)	(461,177)
At 31 December 2019	(6,824,630)	(6,592,572)	(853,064)	(14,270,266)
NET BOOK VALUE				
At 31 December 2018 - Exhibit A	249,904	678,009	147,937	1,075,850
At 30 September 2019 - Exhibit A	**209,817**	**363,342**	**90,962**	**664,121**

6. **INVESTMENT PROPERTIES**

a) This item consists of the following :

	Land	Buildings	Total
At 1 January 2019	152,832,360	144,110,500	296,942,860
Revaluation	(1,318,760)	(4,687,500)	(6,006,260)
31 December 2019 - Exhibit A	151,513,600	139,423,000	290,936,600

b) i) Investment properties represent the fair value of plots of lands with a total value of AED 151.5 million and buildings with a value of AED 139.4 million owned by the group in Abu Dhabi, Al Ain and Mussaffah.

ii) Included within investment properties are two plots of land with a carrying value of AED 88.04 million as of 31 December 2019 (31 December 2018 : AED 90.4 million) whose title were not transferred to the name of the group, pending the settlement of the last installments which are linked to the completion of the group's development works on these plots.

c) The fair value of the investment properties as of 31 December 2019 has been arrived at on the basis of independent valuations carried out by two valuers that are not related to the Group. The valuers are members of the Royal Institute of Surveyors, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

d) A building with a carrying value of AED 139.4 million as of 31 December 2019 is mortgaged in favour of First Abu Dhabi Bank against the bank loan.

7. INVESTMENTS IN FINANCIAL ASSETS

a) ***INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHINSIVE INCOME (FVTOCI)***

i) This item consists of the following:

	2019	2018
Unquoted UAE equity securities	**9,852,838**	39,110,469
Quoted UAE equity securities	----	----
Total - Exhibit A	**9,852,838**	39,110,469

ii) Changes in investments designated at fair value through other comprehinsive income (FVTOCI) for the year are as follows:

	2019	2018
Fair value at 1 January	**39,110,469**	60,086,539
Disposals	**(24,381,500)**	(8,802,757)
Written off	----	(3,112,789)
Transferred to FVTPL	----	(5,870,854)
(Decrease) in fair value taken to other comprehinsive income - Exhibit B	**(4,876,131)**	(3,189,670)
Fair value as at 31 December - Exhibit A	**9,852,838**	39,110,469

b) ***INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)***

i) Changes in investments designated at fair value through profit or loss (FVTPL) for the year are as follows:

	2019	2018
Fair value at the beginning of the year	**66,424,481**	82,921,862
Proceeds on disposals	**(26,760,615)**	(13,239,972)
Realized (loss) / gain on disposals - Note 18	**(29,534,730)**	4,018,841
written off	----	(4,100,500)
Transferred from FTOCI	----	5,870,854
Increase / (decrease) in fair value taken to profit or loss - Note 18	**32,156,187**	(9,046,604)
Fair value as at 31 December - Exhibit A	**42,285,323**	66,424,481

ii) the geographical distribution for the investments in financial assets is as follows:

	2019	2018
Within UAE	**52,060,106**	104,798,888
Outside UAE	**78,055**	736,062
Total - Note 7 (a & b)	**52,138,161**	105,534,950

iv) Certain investments classified as FVTOCI which are measured in these consolidated financial statements at AED 9,852,839 by reference to a fair valuation that is based on prior year financial information due to the lack of recent financial information.

8. STATUTORY DEPOSIT

In accordance with the requirement of Federal Law No. 6 of 2007, concerning Insurance Companies and Agents, the company maintains a bank deposit amounting to AED 10,102,133 as of 31 December 2018 which cannot be utilized without the consent of the UAE Insurance Regulatory Authority.

9. PREMIUM AND INSURANCE BALANCES RECEIVABLES

a) This item consists of the following:

	2019	2018
Due from policy holders	**27,303,033**	44,327,733
Due from insurance and re insurance companies	**22,902,058**	18,944,527
Due from brokers and agencies	**16,531,552**	15,940,028
Total - Note 9 (b)	**66,736,643**	79,212,288
Impairment of trade receivables - Note 9 (c)	**(12,293,571)**	(22,603,371)
Net - Exhibit A	**54,443,072**	56,608,917

b) The ageing for the trade receivables is as the following:

	2019	2018
1 - 30 days	**1,527,274**	4,002,247
31 - 90 days	**2,575,796**	12,948,631
91 - 120 days	**2,665,558**	796,272
120 - 365 days	**7,049,073**	13,642,234
More than 365 days	**52,918,942**	47,822,904
Total - Note 9 (a)	**66,736,643**	79,212,288

The group in the normal course of business deals with various customers in UAE. Five customers' balances amounting to AED 20,108,514 constitute 30.13% of the outstanding receivables as of 31 December 2019 (31 December 2018 : AED 28,435,891, 35.89%, five customers).

c) *Impairment of trade receivables:-*

This item consists of the following :

	2019	2018
At 1 January	**(22,603,371)**	(26,918,396)
Charge for the year - Note 17	**(94,356)**	(971,305)
Release of provision - Note 18	**10,404,156**	5,286,330
Balance at 31 December - Note 9 (a)	**(12,293,571)**	(22,603,371)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

10. REINSURANCE CONTRACT ASSETS

This item consists of the following:	2019	2018
Unearned premium reserve	**250,020**	8,041,585
Claims under settlement reserve	**37,798,476**	48,034,089
Impairment of provision for outstanding claims recovery	**(1,827,447)**	----
Net Claims under settelment reserve	**35,971,029**	48,034,089
Claims incurred but not reported reserve	**1,107,792**	(689,566)
Total - Exhibit A	**37,328,841**	55,386,108

11. OTHER RECEIVABLES AND PREPAYMENTS

a) This item consists of the following:

	2019	2018
Deposits and other receivables	**14,386,726**	14,180,284
Impairment of other receivables - Note 11 (b)	**(10,189,993)**	(10,189,993)
Rent receivables	**4,141,010**	6,800,852
Prepaid expenses	**1,572,595**	1,414,857
Value added tax - receivables	**1,387,463**	1,079,441
Net - Exhibit A	**11,297,801**	13,285,441

b) *Impairment of other receivables*
This item consists of the following:

	2019	2018
Balance at 1 January	**(10,189,993)**	(10,189,993)
Balance at 31 December - Note 11 (a)	**(10,189,993)**	(10,189,993)

12. CASH AND CASH EQUIVALENTS

This item consists of the following:	2019	2018
Cash on hand	**91,243**	84,989
Cash at banks - current accounts	**6,092,163**	9,028,427
Total - Exhibit A & D	**6,183,406**	9,113,416

13. ISSUED AND PAID UP SHARE CAPITAL

a) This item consists of the following:

	2019	2018
Authorized:		
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

b) In Extraordinary General Meeting on 22 December 2013,the shareholders approved to increase the share capital of the company by AED 200,000,000. The group did not start the process to obtain the necessary approvals from concerned authorities for capital increase. Moreover, the shareholders have requested the issue of bonus shares up to the maximum amount.

14. BANK BORROWINGS

a) This item consists of the following:

	Current	Non-current	Total
Term loan 1	**35,671,373**	**105,967,346**	**141,638,719**
Bank overdraft	**51,605,212**	----	**51,605,212**
As at 31 December 2019	**87,276,585**	**105,967,346**	**193,243,931**
Term loan 1	37,099,680	117,840,322	154,940,002
Bank overdraft	32,227,257	----	32,227,257
As at 31 December 2018	69,326,937	117,840,322	187,167,259

b) Term loan 1:

Term loan 1 from First Abu Dhabi Bank represents the restructured agreement with the bank to restructure the Group's previous loan to total amount of AED 227.1 million (net of a forgiven amount of AED 39.4 million, which is subject to the terms and conditions) as full and final settlement of the previous loan. The terms of the new loan are as follows:

- Interest rate: 3 months EIBOR + 1.5% per annum (subject to minimum rate of 4.75% per annum);
- Down payment of AED 22.76 million;
- 1st year payment: AED 20 million (semi-annual payments of AED 10 million);
- 2nd year till 5th year: AED 120 million (semi – annual payments of AED 15 million); and
- 6th year: AED 64.94 million (semi – annual payments of AED 32.47 million).

The above stated forgiven amount of AED 39.4 million is subject to the compliance with the payment schedule for both the principal and interest amounts.

The group has provided First Abu Dhabi Bank with a primary mortgage over AKIC Tower, classified under investment properties, fair valued at AED 139.4 million (31 December 2018 : AED 144.1 million).

During the second quarter of 2019, the group has defaulted in the repayment of one of its loan installment. As per one of the covenant of the loan agreement the whole amount of the outstanding loan becomes immediately payable along with the previously forgiven amount of AED 39.4 million (plus interest) in the event of default of any repayment.

The bank has opened a bank overdraft facility in the name of the group for the repayment of the due installments on which the group defaulted during the year. The outstanding overdraft balance as at 31 December 2019 amounted to AED 51,605,212 (31 December 2018 : AED 32,227,937).

15. TECHNICAL PROVISIONS

This item consists of the following:

	2019	2018
Unearned premiums reserve	**781,085**	18,041,859
Claims under settlement reserve	**36,072,356**	55,581,153
Claims incurred but reported reserve	**1,267,410**	11,871,994
Un allocated loss adjustment expenses reserve	**1,747,744**	2,843,005
U.R.R reserve	**2,270,952**	1,885,986
Total - Exhibit A	42,139,547	90,223,997

16. INSURANCE AND OTHER PAYABLES

This item consists of the following:

	2019	2018
Payable to policy holders	**58,042,943**	49,461,756
Payable to insurance companies	**37,303,303**	40,187,816
Payable to brokers and agents	**1,943,939**	15,103,903
Dividends payable	**18,033,270**	18,033,546
Accruals and other payables	**24,013,250**	23,948,493
Value added tax - payable	**3,496,747**	6,492,442
Total - Exhibit A	142,833,452	153,227,956

17. OPERATING EXPENSES

This item consists of the following :	2019	2018
Salaries and related benefits	**20,749,622**	22,560,537
Rent expenses	**2,362,536**	2,343,290
Depreciation on property and equipment	**461,177**	566,100
Fees and license	**461,613**	703,070
Impairment of trade receivables - Note 9 (c)	**111,036**	971,305
Value added tax expenses	**6,623,456**	7,411,977
Other general expenses	**4,260,162**	5,308,216
Total - Exhibit B	**35,029,602**	39,864,495

18. INCOME FROM INVESTMENT

This item consists of the following :

	2019	2018
Net fair value gain / (loss) on investments at FVTPL - Note 7 (b)	**32,156,187**	(9,046,604)
Dividends from investments in securities	**5,951,447**	7,621,722
Interest on term deposits	**58,890**	19,177
Gain / (loss) from sale of FVTOCI	**7,185,025**	(7,516,089)
Net income from investment properties	**4,547,157**	6,693,286
Write off investment through FVTOCI and FVTPL	**(454,042)**	(7,936,262)
(Loss) / gain from revaluation of investments properties - Note 6	**(6,006,260)**	11,752,860
Realized (loss) / gain from sale of investment FVTPL - Note 7 (b)	**(29,534,730)**	4,018,840
Impairment of trade receivables written back - Note 9 (c)	**10,404,156**	5,286,330
Other (Loss)	**(1,724,078)**	(2,238,223)
Net - Exhibit B	**22,583,752**	8,655,037

19. (LOSS) PER ORDINARY SHARE

This item consists of the following:	2019	2018
(Loss) for the year	**(13,947,888)**	(13,917,929)
Weighted number of shares in issue throughout the year	**420,000,000**	420,000,000
Basic (loss) per share - Exhibit B	**(0.0332)**	(0.0331)

20. RISK MANAGEMENT

The group monitors and manages the financial risks relating to its business and operations. These risks include insurance risk, capital risk, credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The group seeks to minimize the effects of these risks by diversifying the sources of its capital. It maintains timely reports about its risk management function and monitors risks and policies implemented to mitigate risk exposures.

a) *Insurance risk*

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the group faces under its insurance contracts is that the actual claims and benefit payments exceed the estimated amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater that estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The group manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

b) *Capital risk*

The group's objectives when managing capital are :

- To comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of UAE.
- To safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the group in relation to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year. The group is subject to local insurance solvency regulations with which it has complied with during the year.

The table below summarizes the minimum regulatory capital of the group and the total capital held.

	2019	2018
Total shareholders' equity	**74,433,438**	105,234,883
Minimum regulatory capital	**100,000,000**	100,000,000

c) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

Key areas where the group is exposed to credit risk are :

- Re-insurers' share of insurance liabilities.
- Amounts due from reinsurers in respect of claims already paid.
- Amounts due from insurance contract holders.
- Amounts due from insurance intermediaries (Note 9).
- Amounts due from banks for its balances and fixed deposits (Note 12).

The group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counter party limits that are reviewed and approved by the management annually.

Re-insurance is used to manage insurance risk. This does not, however, discharge the group's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the group remains liable for the payment to the policy holder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The group maintains record of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the group. Management information reported to the group includes details of provisions for impairment on insurance receivables and subsequent write offs . Exposures to individual policy holders and groups of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous groups of policy holders, a financial analysis equivalent to that conducted for re-insurers is carried out by the group.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk for such receivables and liquid funds.

d) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rate. The group is exposed to interest rate risk on financial assets and borrowings from banks. The interest rates are subject to yearic revisions.

e) *Market risk*

Market prices risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issue or factors affecting all instruments traded in the market.

The group is exposed to market risk with respect to its investments in financial assets available for sale, investments designated at fair value through profit or loss and investments properties.

f) *Foreign currency risk*

The group undertakes certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year. The UAE Dirham is effectively pegged to the US Dollar, thus foreign currency risk occurs only in respect of other currencies. The group maintains policies and procedures to manage the exchange rate risk exposure.

g) *Liquidity risk*

Responsibility of liquidity risk management rests with the Management of the group, they adopt an appropriate liquidity risk management framework. The group maintains adequate reserves and the Management monitors its cash flows and match them with maturity dates of financial assets and liabilities.

The following table shows the maturity dates of group's financial assets and liabilities as at 31 December 2019.

Financial assets	Less than 1 year	More than 1 year	Total
Investments designated at (FVTOCI)	----	9,852,838	9,852,838
Investments designated at (FVTPL)	42,285,323	----	42,285,323
Statutory deposit	----	10,102,133	10,102,133
Premium and insurance balances receivables	54,443,072	----	54,443,072
Reinsurance shares of claims under settlement reserve	37,798,476	----	37,798,476
Other receivable and prepayments	11,297,801	----	11,297,801
Deposit	----	26,355	26,355
Cash and cash equivalents	6,183,406	----	6,183,406
Total	152,008,078	19,981,326	171,989,404
Financial liabilities			
Borrowings from banks	87,276,585	105,967,346	193,243,931
End of service benefits obligation	----	7,361,463	7,361,463
Claims under settlement reserve	36,072,356	----	36,072,356
Insurance and other payables	142,833,452	----	142,833,452
Total	266,182,393	113,328,809	379,511,202

The following table shows the maturity dates of group's financial assets and liabilities as at 31 December 2018.

Financial assets	Less than 1 year	More than 1 year	Total
Investments designated at (FVTOCI)	----	39,110,469	39,110,469
Investments designated at (FVTPL)	66,424,481	----	66,424,481
Statutory deposit	----	10,000,000	10,000,000
Premium and insurance balances receivables	56,608,917	----	56,608,917
Reinsurance shares of claims under settlement reserve	48,034,089	----	48,034,089
Other receivable and prepayments	13,285,441	----	13,285,441
Deposit	----	25,819	25,819
Cash and cash equivalents	9,113,416	----	9,113,416
Total	193,466,344	49,136,288	242,602,632
Financial liabilities			
Borrowings from banks	69,326,937	117,840,322	187,167,259
End of service benefits obligation	----	6,849,506	6,849,506
Claims under settlement reserve	55,581,153	----	55,581,153
Insurance and other payables	153,227,956	----	153,227,956
Total	278,136,046	124,689,828	402,825,874

21. **SEGMENT INFORMATION**

a) For operating purposes, the group is organized into two business segments:

Underwriting of general insurance business - incorporating all classes of general insurance , fire, marine, motor, general accident and medical.

Investments - incorporating investments in UAE marketable equity securities, term deposits with banks, overseas managed portfolios and other securities.

Primary segment information - business segment

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

	Underwriting		Investments and Others		Total	
	2019	2018	2019	2018	2019	2018
Segment revenue	928,883	54,368,528	22,583,752	8,655,037	23,512,635	63,023,565
Segment result	(24,884,815)	(11,803,684)	22,583,752	8,655,037	(2,301,063)	(3,148,647)
Unallocated expenses					(11,646,825)	(10,769,282)
(Loss) for the year					(13,947,888)	(13,917,929)

b) The following is analysis of the group's assets and liabilities by operating segment:-

	Underwriting		Investments		Total	
	2019	2018	2019	2018	2019	2018
Segment assets	103,761,844	126,650,971	353,176,894	412,477,810	456,938,738	539,128,781
Unallocated assets					6,209,761	9,139,235
Total assets					463,148,499	548,268,016
Segment liabilities	174,432,304	233,340,776	196,249,487	191,658,811	370,681,791	424,999,587
Unallocated liabilities					18,033,270	18,033,546
Total liabilities					388,715,061	443,033,133

There are no transactions between the business segments.

c) Secondary segment information - revenue from underwriting departments

The following is an analysis of the group's revenue classified by major underwriting departments

	2019	2018
Motor	191,258	7,523,354
Engineering	176,123	1,393,530
Fire and general accidents	545,402	16,791,757
Marine and aviation	35,044	1,449,197
Employee benefits, medical and personal assurance	(18,944)	27,210,690
Total - Exhibit B	928,883	54,368,528

22. IMPACT OF ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS 16

a) ***Impact of first time adoption of IFRS 16***

The group has applied IFRS 16 using modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The impact of IFRS 16 is discussed below

As a lessee

The group has elected not to recognize the right-of-use assets and lease liabilities for short term leases of assets that have a lease term of 12 months or less and leases of low valued assets, including IT equipment. The group recognize the lease payments associated with these leases as an expense on straight line basis over the lease term. As of the date of consolidated financial statements, all of the group's payments for leases are short-term and low value leases which will be recognized on a straight-line basis as an expense in profit or loss.

As a lessor

When the group act as a lessor, it determines at lease commencement whether each lease if finance lease or operating lease.

To classify each lease, the group makes an overall assessment of whether the lease transfer to the lessee substantially all of the risk and rewards of ownership incidental to the underlying asset. If this is the case the lease is financial lease; if not the lease is operating lease.

The group recognized lease payments received under operating leases as income on straight-line basis over the lease term as a part of "other income" in the consolidated statement of profit or loss.

The accounting policies applicable to the group as a lessor in the comparative period were not different from IFRS 16.

23. CONTINGENT LIABILITIES

This item consists of the following:	2019	2018
Letters of guarantee	**2,068,600**	2,198,000

24. COMPARATIVE FIGURES

Comparative figures have been restated and reclassified wherever necessary for the purpose of comparison.

25. GENERAL

The figures in the consolidated financial statements are rounded to the nearest Dirham of United Arab Emirates.

26. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue. On their board meeting dated 23 March 2020.