

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

REVIEW REPORT AND CONSOLIDATED INTERIM  
FINANCIAL INFORMATION FOR THE PERIOD  
FROM 1 JANUARY 2020 TO 31 MARCH 2020

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

**I N D E X**

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AL KHAZNA INSURANCE COMPANY P.S.C.

**Report of the Board of Directors  
for the period from 1 January 2020 to 31 March 2020**

The Board of Directors of Al Khazna Insurance Company P.S.C. is pleased to submit its first quarterly report of 2020 together with the interim financial information for the three-month period ended on 31st March 2020.

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

- The Gross Written Premium showing AED 13,974,815 for the three months period ended on 31st March 2020. For the period ended 31st March 2019 it was (179,625)
- The underwriting loss for the period ended 31st March 2020 is AED 5.3 million in comparison with AED 5.3 million for the three months period ended on 31 March 2019.
- The net investment results for the period registered a loss of AED 3.3 million for the three months Period ended on 31st March 2020 against AED 3.0 million for the three months period ended on 31st March 2019.
- The net loss for the three months' period ended on 31st March 2020 has increased to AED 11.1 million compared to a loss of AED 4.4 million for the three months period ended on 31st March 2019.
- The total assets of the Group stood at AED 464 million as of 31st March 2020 against AED 463 million as of 31st December 2019.
- The total capital and reserves attributable to the Company's equity holders are AED 63 million as of 31st March 2020 against AED 74 million on 31st December 2019.
- Furthermore the shareholders of AKIC have approved the capital restructuring measures during the last AGM to reduce the accumulated losses. The Board of Directors and the Management of the company are continuing the strict measures for restructuring the investment and streamlining the operations of the group.

Khalifa Mohammed Rubaya Al Muhairi  
Chairman  
29 March 2021



## Report on Review of Consolidated Interim Financial Information

### The Shareholders'

Al Khazna Insurance Company P.S.C  
United Arab Emirates

### Introduction

We have reviewed the accompanying consolidated interim financial statements of **Al Khazna Insurance Company P.S.C.**, as at 31 March 2020 which comprise the consolidated interim statement of financial position as at 31 March 2020 and the related consolidated interim statement of profit or loss, related consolidated interim statement of comprehensive income, related consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the period from 1 January 2020 to 31 March 2020 and explanatory notes. Management is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 consolidated interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

### Scope of review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of consolidated interim Financial Information Performed by the Independent Auditor of the group." A review of 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 Disclaimer Conclusion

- As discussed in Note 3 to the consolidated interim financial statements, as of the end of the reporting period, the Group's losses for the period amounted to AED 11,158,028 cash flows used in operating activities amounting to AED 8,296,949 and accumulated losses exceeded 50% of the share capital.

Report on Review of consolidated interim financial information to the  
shareholders' of Al Khazna Insurance Company P.S.C for the  
period from 1 January 2020 to 31 March 2020 (continued)

- 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.
- We were not provided with documentation related to these assumptions to support the appropriateness of the consolidated interim 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 interim financial statements using the going concern basis of accounting.

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

- The consolidated interim financial statements includes the assets, liabilities and operating result for the subsidiaries company in which it has not audited by independent auditor and we can not satisfy our self by other audit procedure if the operating result of these subsidiaries will materially effect the consolidated interim financial statements.
- The Group's investment properties include two plots of land with a carrying value of AED 88.04 million as of 31 March 2020 (31 December 2019 : AED 88.04 million) for which the master developer did not transfer the titles to the name of the group, pending the settlement of the last instalments, which are linked to the completion of the development works. We were unable to determine whether any adjustments to this amount were necessary.
- With refer to Note 7 (b) to the financial statement that provide details of the company's investment designated through other comprehensive income amounting to AED 37,421,011 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 (a).
- During the first quarter of 2020, the statutory deposit of the group was liquidated by an amount of AED 6,400,000 which has been transferred to the court's treasury against settlement of claims cases. This reduction in the statutory deposit caused that the Group non-compliance with the federal law No. 6 of 2007 concerning Insurance companies and agents.
- In 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. Subsequently, as per Judicial Department dated 2 March 2021 freeze investment AED 60.4 M to repay the outstanding amount.

Report on Review of consolidated interim financial information to the  
shareholders' of Al Khazna Insurance Company P.S.C for the  
period from 1 January 2020 to 31 March 2020 (continued)

***Disclaimer of conclusion***

Based on due to the significant of the matter described in the basis of disclaimer of conclusion section, we were unable to form a conclusion on the accompanying interim financial information accordingly, we do not express a conclusion on this interim financial information.

***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**

**Eiras Kilani**

Licensed Auditor No. 632

29 March 2021



**AL KHIAZNA INSURANCE COMPANY P.S.C**  
**UNITED ARAB EMIRATES**

**EXHIBIT A**

**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

**AS AT 31 MARCH 2020**

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

|  | NOTE  | 31 March 2020<br>(Unaudited) | 31 December 2019<br>(Audited) |
|--|-------|------------------------------|-------------------------------|
| <b><u>ASSETS</u></b>   |       |                              |                               |
| Property and equipment   | 5     | 602,028                      | 664,121                       |
| Investments properties   | 6     | 290,936,600                  | 290,936,600                   |
| Investments designated at fair value through other comprehensive income (FVTOCI) | 7 (a) | 9,907,475                    | 9,852,838                     |
| Investments designated at fair value through profit and loss (FVTPL)             | 7 (b) | 37,427,011                   | 42,285,323                    |
| Statutory deposit  | 8     | 3,764,192                    | 10,102,133                    |
| Premium and insurance balances receivables                                       | 9 (a) | 81,253,167                   | 54,443,072                    |
| Reinsurance contract assets  | 10    | 20,775,340                   | 37,328,841                    |
| Other receivable and prepayments   | 11    | 11,648,788                   | 11,297,801                    |
| Deferred acquisition cost  |       | 1,775,969                    | 28,009                        |
| Deposits   |       | 26,472                       | 26,355                        |
| Cash and cash equivalents  | 12    | 5,613,750                    | 6,183,406                     |
| <b>TOTAL ASSETS</b>  |       | <b><u>463,730,792</u></b>    | <b><u>463,148,499</u></b>     |
| <b><u>EQUITY AND LIABILITIES</u></b>   |       |                              |                               |
| <b><u>EQUITY ATTRIBUTABLE TO SHAREHOLDERS' OF THE PARENT</u></b>                 |       |                              |                               |
| Share premium  |       | 1,788,422                    | 1,788,422                     |
| Accumulated (losses)   |       | (422,516,939)                | (411,358,911)                 |
| Issued and paid up share capital   | 13    | 420,000,000                  | 420,000,000                   |
| Fair value reserve   |       | 1,913,215                    | 1,858,578                     |
| Statutory reserve  |       | 62,145,349                   | 62,145,349                    |
| <b>Net equity - Exhibit C</b>  |       | <b><u>63,330,047</u></b>     | <b><u>74,433,438</u></b>      |
| <b><u>LIABILITIES</u></b>  |       |                              |                               |
| Borrowings from banks  | 14    | 196,076,046                  | 193,243,931                   |
| End of service benefits obligation   |       | 7,290,375                    | 7,361,463                     |
| Technical provisions   | 15    | 36,675,476                   | 42,139,547                    |
| Insurance and other payables   | 16    | 157,290,007                  | 142,833,452                   |
| Reinsurance deposit retained   |       | 133,096                      | 89,140                        |
| Unearned reinsurance commission  |       | 66,643                       | 41,972                        |
| Deferred income  |       | 2,869,102                    | 3,005,556                     |
| <b>Total liabilities</b>   |       | <b><u>400,400,745</u></b>    | <b><u>388,715,061</u></b>     |
| <b>Total equity and liabilities</b>  |       | <b><u>463,730,792</u></b>    | <b><u>463,148,499</u></b>     |

  
Chairman

  
Head of Finance

  
Director

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

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

**EXHIBIT B**

**CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS**  
**FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020**

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

|  | <u>NOTE</u> | <u>For the period from</u><br><u>1 January 2020 to</u><br><u>31 March 2020</u><br><u>(Unaudited)</u> | <u>For the period from</u><br><u>1 January 2019 to</u><br><u>31 March 2019</u><br><u>(Unaudited)</u> |
|--|-------------|--|--|
| Gross premium  | 20 (a)      | 13,974,815   | (179,625)  |
| Reinsurance share of ceded business premiums                           |             | <u>(893,201)</u>   | <u>(1,211,237)</u>   |
| <b>Net premium</b>   |             | <b>13,081,614</b>  | <b>(1,390,862)</b>   |
| Change in Unearned premium provision                                   |             | <u>(12,649,711)</u>  | <u>5,966,867</u>   |
| <b>Net premium earned</b>  |             | <b>431,903</b>   | <b>4,576,005</b>   |
| Commissions earned   | 21 (a)      | <b>15,162</b>  | 192,912  |
| Commissions paid   |             | <u>208,200</u>   | <u>(238,996)</u>   |
| <b>Gross underwriting income</b>                                       |             | <b>655,265</b>   | <b>4,529,921</b>   |
| Gross claims paid  |             | <u>(18,667,161)</u>  | <u>(13,141,003)</u>  |
| Reinsurance share of insurance claims                                  |             | <u>17,708,072</u>  | <u>3,829,193</u>   |
| <b>Net claims paid</b>   |             | <b>(959,089)</b>   | <b>(9,311,810)</b>   |
| Change in claims under settlement reserve                              |             | <b>16,437,549</b>  | 6,573,102  |
| Change in reinsurance share for claims under settlement reserve        |             | <u>(16,347,432)</u>  | <u>(3,467,581)</u>   |
| Change in claims incurred but not reported reserve                     |             | 300,873  | 1,794,542  |
| Change in insurance share for claims incurred but not reported reserve |             | <u>(299,021)</u>   | <u>4,638,813</u>   |
| Change in unallocated loss adjustments expenses reserve                |             | <b>637,572</b>   | 184,860  |
| Change in unexpired risk reserve                                       |             | <u>830,740</u>   | <u>1,101,307</u>   |
| <b>Net claims incurred</b>   |             | <b>601,192</b>   | <b>1,513,233</b>   |
| Operating expenses   | 17          | <u>(6,539,705)</u>   | <u>(11,327,173)</u>  |
| Net underwriting (loss)  |             | <b>(5,283,248)</b>   | <b>(5,284,019)</b>   |
| (Loss) / income from investments                                       | 18          | <u>(3,291,511)</u>   | <u>3,034,177</u>   |
| <b>Total (loss)</b>  |             | <b>(8,574,759)</b>   | <b>(2,249,842)</b>   |
| Finance cost   |             | <u>(2,583,269)</u>   | <u>(2,147,193)</u>   |
| <b>Net (loss) for the period - Exhibit D</b>                           |             | <b>(11,158,028)</b>  | <b>(4,397,035)</b>   |
| <b>(Loss) per ordinary share</b>                                       | 19          | <u>(0.0266)</u>  | <u>(0.0105)</u>  |

THE ACCOMPANYING NOTES ARE AN  
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**AL KHAZNA INSURANCE COMPANY P.S.C**  
**UNITED ARAB EMIRATES**

**EXHIBIT B**

**CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE**  
**PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020**

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

|  | <u>NOTE</u> | <u>For the period from</u><br><u>1 January 2020 to</u><br><u>31 March 2020</u><br><u>(Unaudited)</u> | <u>For the period from</u><br><u>1 January 2019 to</u><br><u>31 March 2019</u><br><u>(Unaudited)</u> |
|--|-------------|--|--|
| <b>(Loss) for the period</b>                                 |             | <b>(11,158,028)</b>  | <b>(4,397,035)</b>   |
| <b>Other comprehensive income :</b>                          |             |  |  |
| Fair value gain on investments at FVTOCI                     | 7 (a)       | <u>54,637</u>  | <u>---</u>   |
| Other comprehensive income for the period                    |             | <u>54,637</u>  | <u>---</u>   |
| <b>Total comprehensive (loss) for the period - Exhibit C</b> |             | <b><u>(11,103,391)</u></b>   | <b><u>(4,397,035)</u></b>  |

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**AL KHIAZNA INSURANCE COMPANY P.S.C**  
UNITED ARAB EMIRATES

EXHIBIT C

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE  
PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020  
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)**

|   | <u>Share<br/>Premium</u> | <u>Accumulated<br/>(losses)</u> | <u>Issued and paid up<br/>share capital</u> | <u>Fair value and<br/>revaluation<br/>reserve</u> | <u>Statutory<br/>reserve</u> | <u>Total</u>       |
|---|--------------------------|---------------------------------|---|---|------------------------------|--------------------|
| Equity at 1 January 2019 - Exhibit A                  | 1,788,422                | (397,411,023)                   | 420,000,000                                 | 18,712,135  | 62,145,349                   | 105,294,883        |
| (Loss) for the period - Exhibit B                     | ----                     | (4,397,035)                     | ----  | ----  | ----                         | (4,397,035)        |
| Equity at 31 March 2019 - Exhibit A (Unaudited)       | <u>1,788,422</u>         | <u>(401,808,058)</u>            | <u>420,000,000</u>                          | <u>18,712,135</u>                                 | <u>62,145,349</u>            | <u>100,837,848</u> |
| 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         |
| (Loss) for the period - Exhibit B                     | ----                     | (11,158,028)                    | ----  | ----  | ----                         | (11,158,028)       |
| Other comprehensive income for the period - Exhibit B | ----                     | ----                            | ----  | 54,637  | ----                         | 54,637             |
| Equity at 31 March 2020 - Exhibit A (Unaudited)       | <u>1,788,422</u>         | <u>(422,516,939)</u>            | <u>420,000,000</u>                          | <u>1,913,215</u>                                  | <u>62,145,349</u>            | <u>63,330,047</u>  |

THE ACCOMPANYING NOTES ARE AN  
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**AL KHAZNA INSURANCE COMPANY P.S.C**  
**UNITED ARAB EMIRATES**

**EXHIBIT D**

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE  
PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020**

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

|   | <u>For the period from</u><br><u>1 January 2020 to</u><br><u>31 March 2020</u><br><u>(Unaudited)</u> | <u>For the period from</u><br><u>1 January 2019 to</u><br><u>31 March 2019</u><br><u>(Unaudited)</u> |
|---|--|--|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>   |  |  |
| (Loss) for the period - Exhibit B   | (11,158,028)   | (4,397,035)  |
| <b><u>Adjustment to reconcile net income to net cash provided by operating activities</u></b> |  |  |
| Depreciation of property and equipment  | 80,776   | 122,779  |
| Net fair value loss / (gain) on investment designated at FVTPL                                | 4,788,547  | (30,493,492)   |
| Realized loss on investment designated at FVTPL   | 10,167   | 29,534,730   |
| Net income from investment properties   | (1,074,525)  | (1,231,465)  |
| Dividends from investments in securities  | —  | (2,839,000)  |
| Interest income   | (25,183)   | (4,833)  |
| Finance cost  | 2,583,269  | 2,147,193  |
| Impairment of trade receivables   |  |  |
| Provision for doubtful receivables, net   | —  | (8,217)  |
| End of service benefits obligation  | 348,456  | 208,127  |
| Operating (loss) before working capital changes   | <u>(4,446,521)</u>   | <u>(6,961,213)</u>   |
| <b><u>Changes in the components of working capital:</u></b>                                   |  |  |
| (Increase) / decrease in deferred acquisition costs   | (1,747,960)  | 218,109  |
| Decrease in other reinsurance contract assets   | 16,553,501   | 2,577,392  |
| (Decrease) in insurance contract liabilities  | (5,464,071)  | (19,369,302)   |
| Increase / (decrease) in unearned reinsurance commission                                      | 24,671   | (181,214)  |
| (Increase) in premium and insurance receivables   | (26,810,095)   | (1,112,714)  |
| (Increase) / decrease in other receivables and prepayments                                    | (350,987)  | 1,169,343  |
| Increase in insurance and other payables  | 14,456,555   | 2,004,366  |
| Increase / (decrease) in reinsurance deposit retained   | 43,956   | (398,577)  |
| (Decrease) / increase in deferred income  | (136,454)  | 339,028  |
| Cash (loss) from operations   | <u>(7,877,405)</u>   | <u>(21,714,782)</u>  |
| Settlement of end of service benefit obligation   | (419,544)  | (59,816)   |
| <i>Net cash flows (used in) operating activities</i>  | <u>(8,296,949)</u>   | <u>(21,774,598)</u>  |

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

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

**CONT. EXHIBIT D**

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE**  
**PERIOD FROM 1 JANUARY 2020 TO 31 MARCH 2020**

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

|   | <u>For the period from</u><br><u>1 January 2020 to</u><br><u>31 March 2020</u><br><u>(Unaudited)</u> | <u>For the period from</u><br><u>1 January 2019 to</u><br><u>31 March 2019</u><br><u>(Unaudited)</u> |
|---|--|--|
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>             |  |  |
| Decrease in deposits  | 6,337,824  | —  |
| Purchase of property and equipment                              | (22,616)   | (41,163)   |
| Proceed from sale of property and equipment                     | 3,933  | —  |
| Dividends received  | —  | 2,839,000  |
| Net income from investment in properties                        | 1,074,525  | 1,231,465  |
| Interest income received  | 25,183   | 4,833  |
| Proceed from sale of investments designated at FVTPL            | 59,598   | 26,760,616   |
| <i>Net cash flows from investing activities</i>                 | <b>7,478,447</b>   | <b>30,794,751</b>  |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES :</u></b>            |  |  |
| Increase in borrowings from banks                               | 2,832,115  | 2,734,245  |
| Finance cost  | (2,583,269)  | (2,147,193)  |
| <i>Net cash flows from financing activities</i>                 | <b>248,846</b>   | <b>587,052</b>   |
| <b>NET CASH FLOWS (USED) / GENERATED DURING THE PERIOD</b>      | <b>(569,656)</b>   | <b>9,607,205</b>   |
| Cash and cash equivalents at beginning of the period            | 6,183,406  | 9,139,235  |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD - Note 12</b> | <b>5,613,750</b>   | <b>18,746,440</b>  |

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

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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

**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.

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

- b) 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.

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

- d) The consolidated interim financial statements of Al Khazna Insurance Company P.S.C. (the "Group") for the period from 1 January 2020 to 31 March 2020 includes assets, liabilities and the result of operations of the following subsidiaries:

| <u>Name of subsidiary</u>                       | <u>Proportion of ownership</u> | <u>Country of incorporation</u> | <u>Principal activities</u>   |
|---|--------------------------------|---------------------------------|---|
| The Best Tenants LLC<br>***                     | 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.  |
| IT Academy LLC *                                | 100%                           | UAE                             | To provide business management training.  |
| Real Estate Academy for Training LLC *          | 100%                           | UAE                             | To provide business management training.  |

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

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

| <u>Name of subsidiary</u>                  | <u>Proportion of ownership</u> | <u>Country of incorporation</u> | <u>Principal activities</u>   |
|--|--------------------------------|---------------------------------|---|
| 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.        |
| Padawel 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 I.L.C. *          | 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.

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

- a) The company has applied the following International Financial Reporting Standards (IFRSs), amendments and interpretations for the first time for their reporting period commencing 1 January 2020:

| <u>Standard or Interpretation</u>                             | <u>Description</u>   | <u>Effective date</u> |
|---|--|-----------------------|
| Definition of materiality - Amendments to IAS (1) and IAS (8) | <p>The amendments provide clarifications for the definition of materiality, where the information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific financial reporting entity.</p> <p>The amendments clarify that materiality depends on the nature of the information, its magnitude, or both. Information error is a significant matter if it is reasonably expected to influence the decisions made by the primary users.</p> | 1 January 2020        |
| Definition of a Business (Amendments to IFRS 3)               | The amendments clarify that a business is considered a business if it includes at a minimum, an input and a substantive process that together significantly contribute to the ability of creating outputs, and it also clarifies that a business can exist without including all of the inputs and processes needed to create outputs.   | 1 January 2020        |
| Conceptual framework Financial Report (Revised)               | The conceptual framework includes definitions on which all the requirements of IFRSs are based (definition of asset, liability, income, expense, objectives of general purpose financial statements, etc.). The revised framework improves these definitions.  | 1 January 2020        |

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|--|--|----------------|
| Interest Rate Benchmark Reform Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7) | These amendments provide some exemptions related to the standard reform of the interbank offered interest reference rate. The exemptions relate to hedge accounting. The reformulation of the interbank interest reference rate should not generally cause the discontinuance of hedge accounting. | 1 January 2020 |
|--|--|----------------|

|  |  |             |
|--|--|-------------|
| Covid-19-Related Rent Concessions (Amendment to IFRS 16) | IFRS 16 has been amended to address rental concessions for lessees resulting from the COVID-19 epidemic, which meet the following characteristics: | 1 June 2020 |
|--|--|-------------|

A. Change in lease payments leads to an amendment in the lease contract that is substantially the same or less than the lease consideration immediately preceding the change.

B. The reduction is the rent payments so that it only affects the payments due on or before June 30, 2021.

C. There is no material change in the other terms and conditions of the lease.

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

| <u>Standard or Interpretation</u>   | <u>Description</u>   | <u>Effective for annual periods beginning on or after</u> |
|---|--|---|
| Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IFRS 7, IFRS 4, IFRS 16 and IAS 39) | The amendments provide temporary exemptions that address the effects of financial reporting when an Interbank Offered Rate (IBOR) is exchanged for a Risk-Free Alternative Interest Rate (RIFR). | 1 January 2021  |



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Amendments include a practical expedient requiring contractual changes or changes in cash flows, which is necessary as a direct consequence of interest rate benchmark reform, to be dealt with as variables in the variable interest rate, equivalent to the movement in the interest rate in the market. Allowing the use of this practical expedient is provided with the condition that the transfer from IBOR to (RI)R takes place on an economically equivalent basis without the occurrence of value transfer.

Annual improvements to IFRS 2018-2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

*IFRS 1 amendments, First-time Adoption of International Financial Reporting Standards.*

1 January 2022

An extension of the optional exemption that allows the subsidiary which becomes an adopter of the IFRS for the first time after the parent company to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS Standards. Similar election is available for the associate and joint venture.

*IFRS 9 amendments, Financial Instruments*

The amendments clarify the fees an entity includes when it applies the '10 per cent' test in assessing whether to de-recognize a financial liability.

*IFRS 16 amendments, Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements.

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|  | <i>IAS 41 amendments, Agriculture</i>  |                |
|  | The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.   |                |
| IFRS 3 amendments, Business Combinations - Reference to the Conceptual Framework                                   | The amendments aim to update the reference to the conceptual framework without changing the accounting requirements of IFRS 3 Business Combinations.   | 1 January 2022 |
| IAS 16 amendments, property, plant and equipment - proceeds before intended use                                    | Amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. | 1 January 2022 |
| IAS 37 amendments, Provisions, Contingent Assets and Liabilities Onerous Contracts - Cost of Fulfilling a Contract | Amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract will produce a loss.   | 1 January 2022 |
| IAS 1 amendments, Presentation of Financial Statements   | <ul style="list-style-type: none"> <li>• Clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period.</li> <li>• Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.</li> </ul>   | 1 January 2022 |

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|   |   |                |
|---|---|----------------|
|   | <ul style="list-style-type: none"> <li>• Explain that rights are in existence if covenants are complied with at the end of the reporting period.</li> <li>• Introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</li> <li>• Are applied retrospectively.</li> </ul> |                |
| IFRS 17, Insurance Contracts  | IFRS 17 supersedes IFRS 4, the new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts.   | 1 January 2023 |
| IFRS 10 and IAS 28 amendments — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.  | Indefinite     |

**3. GOING CONCERN**

- a) During the reporting period, 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 period.

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 2020 and end of March 2020. Compliance with these requirements requires significant restructuring of the Group's investments portfolio based on different milestones within the current period, with full implementation.

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

- c) The Group incurred losses amounting to AED 11,158,028 and cash flows used in operating activities amounted to AED 8,296,949 for the period ended 31 March 2020 and its accumulated losses exceeded 50% of its share capital as of 31 March 2020.

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 14 December 2020, 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.

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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 interim 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 interim financial 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 2020 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 interim Financial Statements Preparation Framework*  
The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards.
- b. *Consolidated interim Statement of compliance*  
The consolidated interim 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 interim 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.

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d. *Property and equipment*

The property and equipment are carried in the consolidated interim 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 interim 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 group over the estimated useful life of the assets as follows:

| <u>Category</u>                    | <u>Useful life</u> |
|------------------------------------|--------------------|
| Office equipment and decoration    | 4 years            |
| Computer equipment and accessories | 4 years            |
| Motor vehicles                     | 5 years            |

The depreciation charge for each period is recognized in the consolidated interim statement of profit or loss. 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, impairment 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 interim statement of profit or loss.

e. *Impairment of tangible assets*

At each consolidated interim statement of financial position date, the company 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 interim statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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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 interim statement of profit or loss 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 consolidated interim 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 interim 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 interim statement of profit or loss.

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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 interim 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 interim comprehensive income.

i. *Financial assets*

Financial assets are classified into the following specified categories: financial assets designated at fair value through other comprehensive income (FVTOCI), financial assets designated at fair value through profit or loss (FVTPL), financial assets designated at amortized cost, loans and receivables and cash and cash equivalents. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition or subsequent reclassification as the case may be.

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) *Insurance receivables*

Insurance receivables are stated at net realizable value. When an insurance receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated interim statement of profit or loss.



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ii) *Loans and receivables*

Loans and receivables includes insurance and other receivables. Insurance receivables that either have or do not have a fixed or determinable payments and are not quoted in an active market, and other receivables are stated at net realizable value. The carrying values are not materially different from their fair values.

j. *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'.

k. *Financial liabilities*

Financial liabilities includes borrowings from banks, insurance contract liabilities and insurance and other payables. Insurance payables that have fixed or determinable payments that are not quoted in an active market and other payables are stated at cost. The carrying values are not materially different from their fair value.

l. *Borrowing costs*

Borrowing costs include interest on bank borrowings, amortization of discounts or premiums on borrowings, amortization of ancillary costs incurred in the arrangement of borrowings, and finance charges on finance leases.

Borrowing costs are expensed in the year in which they are incurred.

m. *End of service benefits obligation*

End of service benefits obligation for employees is accounted for in accordance with U.A.E. Labour Law.

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ii. *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 company'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 company'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 interim 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.

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*Re-insurance contracts held*

Contracts entered into by the company with reinsurers under which the company is compensated for losses on one or more contracts issued by the company 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 company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the company is entitled under its re - insurance contract held is recognized as re-insurance contract assets. The company 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 company 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 interim financial statements.

Provision for the premium which represent the portion of the premium subsequent to the consolidated interim 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 interim statement of profit or loss.

*Salvage and subrogation reimbursements*

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

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*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 company 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.

*o. Foreign currencies*

The consolidated interim 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 interim statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated interim 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 interim financial statements shall be recognized in the statement of income in the year in which they arise.

*p. 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.

*q. 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.

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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 company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the company 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 company 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 interim statement of profit or loss.

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 company 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) *Provision for doubtful debts*

Management has estimated the recoverability of trade receivables and has considered the provision required for doubtful receivables, on the basis of prior experience and current economic situations.

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**5. PROPERTY AND EQUIPMENT**

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

| <u>COST</u>  | <u>Office<br/>equipment and<br/>decoration</u> | <u>Computer<br/>equipment<br/>and accessories</u> | <u>Motors<br/>vehicles</u> | <u>Total</u>        |
|--|--|---|----------------------------|---------------------|
| At 1 January 2020 (Audited)                            | 7,034,447                                      | 6,955,914   | 944,026                    | 14,934,387          |
| Additions  | ----   | 18,685  | 3,931                      | 22,616              |
| Disposal   | ----   | ----  | (21,700)                   | (21,700)            |
| At 31 March 2020 (Unaudited)                           | <u>7,034,447</u>                               | <u>6,974,599</u>                                  | <u>926,257</u>             | <u>14,935,303</u>   |
| <b><u>ACCUMULATED<br/>DEPRECIATION</u></b>             |  |   |                            |                     |
| At 1 January 2020 (Audited)                            | (6,824,630)                                    | (6,592,572)                                       | (853,064)                  | (14,270,266)        |
| Charge for the period - Note 17<br>Related to disposal | (20,173)                                       | (51,027)  | (9,576)                    | (80,776)            |
| At 31 March 2020 (Unaudited)                           | <u>(6,844,803)</u>                             | <u>(6,643,599)</u>                                | <u>17,767</u>              | <u>(14,333,275)</u> |
| <b><u>NET BOOK VALUE</u></b>                           |  |   |                            |                     |
| At 31 December 2019 - Exhibit A (Audited)              | <u>209,817</u>                                 | <u>363,342</u>                                    | <u>90,962</u>              | <u>664,121</u>      |
| At 31 March 2020 - Exhibit A (Unaudited)               | <u>189,644</u>                                 | <u>331,000</u>                                    | <u>81,384</u>              | <u>602,028</u>      |

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6. **INVESTMENT PROPERTIES**

a) This item consists of the following :

|  | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|--|-------------|------------------|--------------|
| At 1 January 2020<br>(Audited)         | 151,513,600 | 139,423,000      | 290,936,600  |
| 31 March 2020 - Exhibit<br>(Unaudited) | 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 March 2020 (31 December 2019 : AED 88.04 million) whose title were not transferred to the name of the group.

c) A building with a carrying value of AED 139.4 million as of 31 March 2020 is mortgaged in favour of First Abu Dhabi Bank against the bank loan.

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**7. INVESTMENTS IN FINANCIAL ASSETS**

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

|   |                      |                         |
|---|----------------------|-------------------------|
| i) This item consists of the following: | <u>31 March 2020</u> | <u>31 December 2019</u> |
|   | <u>(Unaudited)</u>   | <u>(Audited)</u>        |
| Unquoted UAE equity securities          | 9,084,500            | 9,852,838               |
| Quoted UAE equity securities            | 822,975              | —                       |
| <b>Total - Exhibit A</b>                | <u>9,907,475</u>     | <u>9,852,838</u>        |

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

|  |                      |                         |
|--|----------------------|-------------------------|
|  | <u>31 March 2020</u> | <u>31 December 2019</u> |
|  | <u>(Unaudited)</u>   | <u>(Audited)</u>        |
| Fair value at 1 January  | 9,852,838            | 39,110,469              |
| Disposals  | —                    | (24,381,500)            |
| (Decrease) in fair value taken to other comprehensive income - Exhibit B | 54,637               | (4,876,131)             |
| <b>Fair value as at 31 March / 31 December -</b>                         | <u>9,907,475</u>     | <u>9,852,838</u>        |

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 period are as follows:

|   |                      |                         |
|---|----------------------|-------------------------|
|   | <u>31 March 2020</u> | <u>31 December 2019</u> |
|   | <u>(Unaudited)</u>   | <u>(Audited)</u>        |
| Fair value at the beginning of the year                               | 42,285,323           | 66,424,481              |
| Proceeds on disposals   | (59,598)             | (26,760,615)            |
| Realized (loss) on disposals  | (10,167)             | (29,534,730)            |
| (Decrease) / increase in fair value taken to profit or loss - Note 18 | (4,788,547)          | 32,156,187              |
| <b>Fair value as at 31 March / 31 December -</b>                      | <u>37,427,011</u>    | <u>42,285,323</u>       |

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

|                                   |                      |                         |
|-----------------------------------|----------------------|-------------------------|
|                                   | <u>31 March 2020</u> | <u>31 December 2019</u> |
|                                   | <u>(Unaudited)</u>   | <u>(Audited)</u>        |
| Within UAE                        | 47,334,486           | 52,060,106              |
| Outside UAE                       | —                    | 78,055                  |
| <b>Total - Note 7 (a &amp; b)</b> | <u>47,334,486</u>    | <u>52,138,161</u>       |



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iv) Certain investments classified as FVTOCI which are measured in these consolidated interim financial statements at AED 9,907,475 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 3,764,192 as of 31 March 2020 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:

|   | <u>31 March 2020</u><br><u>(Unaudited)</u> | 31 December 2019<br><u>(Audited)</u> |
|---|--|--------------------------------------|
| Due from policy holders                       | 28,203,554                                 | 27,303,033                           |
| Due from insurance and re insurance companies | 36,754,839                                 | 22,902,058                           |
| Due from brokers and agencies                 | 28,588,345                                 | 16,531,552                           |
| Total - Note 9 (b)                            | <u>93,546,738</u>                          | <u>66,736,643</u>                    |
| Impairment of trade receivables - Note 9 (c)  | <u>(12,293,571)</u>                        | <u>(12,293,571)</u>                  |
| <b>Net - Exhibit A</b>                        | <u><u>81,253,167</u></u>                   | <u><u>54,443,072</u></u>             |

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

|                           | <u>31 March 2020</u><br><u>(Unaudited)</u> | 31 December 2019<br><u>(Audited)</u> |
|---------------------------|--|--------------------------------------|
| 1 - 30 days               | 28,777,131                                 | 1,527,274                            |
| 31 - 90 days              | 817,909                                    | 2,575,796                            |
| 91 - 180 days             | 2,810,220                                  | 2,665,558                            |
| 181 - 365 days            | 5,784,861                                  | 7,049,073                            |
| More than 365 days        | 55,356,617                                 | 52,918,942                           |
| <b>Total - Note 9 (a)</b> | <u><u>93,546,738</u></u>                   | <u><u>66,736,643</u></u>             |

The group in the normal course of business deals with various customers in UAE. Five customers' balances amounting to AED 38,754,332 constitute 41.43 % of the outstanding receivables as of 31 March 2020 (31 December 2019 : AED 20,108,514, 30.13%, five customers).

v) Impairment of trade receivables:-

This item consists of the following :

|   | <u>31 March 2020</u><br><u>(Unaudited)</u> | 31 December 2019<br><u>(Audited)</u> |
|---|--|--------------------------------------|
| At 1 January  | (12,293,571)                               | (22,603,371)                         |
| Charge for the period / year - Note 17                | —  | (94,356)                             |
| Release of provision - Note 18                        | —  | 10,401,156                           |
| <b>Balance at 31 March / 31 December - Note 9 (a)</b> | <u><u>(12,293,571)</u></u>                 | <u><u>(12,293,571)</u></u>           |

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|     |   |                            |                            |
|-----|---|----------------------------|----------------------------|
| 10. | <b>REINSURANCE CONTRACT ASSETS</b>                      |                            |                            |
|     | This item consists of the following:                    | <u>31 March 2020</u>       | <u>31 December 2019</u>    |
|     |   | <u>(Unaudited)</u>         | <u>(Audited)</u>           |
|     | Unearned premium reserve                                | 342,971                    | 250,020                    |
|     | Claims under settlement reserve                         | 21,451,045                 | 37,798,476                 |
|     | Impairment of provision for outstanding claims recovery | <u>(1,827,447)</u>         | <u>(1,827,447)</u>         |
|     | <b>Net Claims under settlement reserve</b>              | <b>19,966,569</b>          | <b>36,221,049</b>          |
|     | Claims incurred but not reported reserve                | <u>808,771</u>             | <u>1,107,792</u>           |
|     | <b>Total - Exhibit A</b>                                | <b><u>20,775,340</u></b>   | <b><u>37,328,841</u></b>   |
|     |   |                            |                            |
| 11. | <b>OTHER RECEIVABLES AND PREPAYMENTS</b>                |                            |                            |
|     | a) This item consists of the following:                 | <u>31 March 2020</u>       | <u>31 December 2019</u>    |
|     |   | <u>(Unaudited)</u>         | <u>(Audited)</u>           |
|     | Deposits and other receivables                          | 15,649,821                 | 14,386,726                 |
|     | Impairment of other receivables - Note 11 (b)           | <u>(10,189,993)</u>        | <u>(10,189,993)</u>        |
|     | Rent receivables  | 3,706,492                  | 4,141,010                  |
|     | Prepaid expenses  | 951,046                    | 1,572,595                  |
|     | Value added tax - receivables                           | <u>1,531,422</u>           | <u>1,387,463</u>           |
|     | <b>Net - Exhibit A</b>                                  | <b><u>11,648,788</u></b>   | <b><u>11,297,801</u></b>   |
|     | b) <i>Provision for impairment of other receivables</i> |                            |                            |
|     | This item consists of the following:                    | <u>31 March 2020</u>       | <u>31 December 2019</u>    |
|     |   | <u>(Unaudited)</u>         | <u>(Audited)</u>           |
|     | Balance at 1 January                                    | <u>(10,189,993)</u>        | <u>(10,189,993)</u>        |
|     | <b>Balance at 31 March / 31 December - Note 11 (a)</b>  | <b><u>(10,189,993)</u></b> | <b><u>(10,189,993)</u></b> |
|     |   |                            |                            |
| 12. | <b>CASH AND CASH EQUIVALENTS</b>                        |                            |                            |
|     | This item consists of the following:                    | <u>31 March 2020</u>       | <u>31 December 2019</u>    |
|     |   | <u>(Unaudited)</u>         | <u>(Audited)</u>           |
|     | Cash on hand  | 92,433                     | 91,243                     |
|     | Cash at banks - current accounts                        | <u>5,521,317</u>           | <u>6,092,163</u>           |
|     | <b>Total - Exhibit A &amp; D</b>                        | <b><u>5,613,750</u></b>    | <b><u>6,183,406</u></b>    |

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**13. ISSUED AND PAID UP SHARE CAPITAL**

|    |   |                      |                    |
|----|---|----------------------|--------------------|
| a) | This item consists of the following:  | <u>31 March 2020</u> | 31 December 2019   |
|    |   | <u>(Unaudited)</u>   | <u>(Audited)</u>   |
|    | <b>Authorized:</b>  |                      |                    |
|    | 420,000,000 shares of AED 1 each  | <u>420,000,000</u>   | <u>420,000,000</u> |
|    | <b>Allotted, issued and fully paid</b>  |                      |                    |
|    | 420,000,000 shares of AED 1 each  | <u>420,000,000</u>   | <u>420,000,000</u> |
| 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:    | <u>Current</u>    | <u>Non-current</u> | <u>Total</u>       |
|    | Term loan 1                             | 35,671,373        | 108,799,461        | 144,470,834        |
|    | Bank overdraft                          | <u>51,605,212</u> | —                  | <u>51,605,212</u>  |
|    | <b>As at 31 March 2020 (Unaudited)</b>  | <u>87,276,585</u> | <u>108,799,461</u> | <u>196,076,046</u> |
|    | Term loan 1                             | 35,671,373        | 105,967,346        | 141,638,719        |
|    | Bank overdraft                          | <u>51,605,212</u> | —                  | <u>51,605,212</u>  |
|    | <b>As at 31 December 2019 (Audited)</b> | <u>87,276,585</u> | <u>105,967,346</u> | <u>193,243,931</u> |

- 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 196.07 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).

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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 2019 : AED 139.4 million).

During last year, 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 period. The outstanding overdraft balance as at 31 March 2020 amounted to AED 51,605,212 (31 December 2019: AED 51,605,212).

**15. TECHNICAL PROVISIONS**

This item consists of the following:

|  | <u>31 March 2020</u><br><u>(Unaudited)</u> | <u>31 December 2019</u><br><u>(Audited)</u> |
|--|--|---|
| Unearned premiums reserve                    | 13,523,745                                 | 781,085                                     |
| Claims under settlement reserve              | 19,634,807                                 | 36,072,356                                  |
| Claims incurred but not reported reserve     | 966,540                                    | 1,267,410                                   |
| Unallocated loss adjustment expenses reserve | 1,110,171                                  | 1,747,744                                   |
| U.R.R reserve                                | 1,440,213                                  | 2,270,952                                   |
| <b>Total - Exhibit A</b>                     | <u>36,675,476</u>                          | <u>42,139,547</u>                           |

**16. INSURANCE AND OTHER PAYABLES**

This item consists of the following:

|   | <u>31 March 2020</u><br><u>(Unaudited)</u> | <u>31 December 2019</u><br><u>(Audited)</u> |
|---|--|---|
| Payable to policy holders and insurance companies | 109,151,185                                | 95,346,246                                  |
| Payable to brokers / agents                       | 3,203,026                                  | 1,943,939                                   |
| Dividends payable                                 | 18,033,269                                 | 18,033,270                                  |
| Accruals and other payables                       | 22,641,172                                 | 24,013,250                                  |
| Value added tax - payable                         | 4,261,355                                  | 3,496,747                                   |
| <b>Total - Exhibit A</b>                          | <u>157,290,007</u>                         | <u>142,833,452</u>                          |

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|   | <u>For the period from</u><br><u>1 January 2020 to</u><br><u>31 March 2020</u><br><u>(Unaudited)</u> | <u>For the period from</u><br><u>1 January 2019 to</u><br><u>31 March 2019</u><br><u>(Unaudited)</u> |
|---|--|--|
| <b>17. OPERATING EXPENSES</b>                                     |  |  |
| This item consists of the following:                              |  |  |
| Salaries and related benefits                                     | 4,899,404  | 5,535,818  |
| Rent expenses   | 575,149  | 593,346  |
| Depreciation on property and equipment                            | 80,776   | 122,779  |
| Fees and license  | 114,185  | 79,790   |
| Value added tax - expenses  | 853  | 4,095,730  |
| Other general expenses  | 869,338  | 899,710  |
| <b>Total - Exhibit B</b>  | <u>6,539,705</u>   | <u>11,327,173</u>  |
| <b>18. INCOME FROM INVESTMENT</b>                                 |  |  |
| This item consists of the following:                              |  |  |
|   | <u>For the period from</u><br><u>1 January 2020 to</u><br><u>31 March 2020</u><br><u>(Unaudited)</u> | <u>For the period from</u><br><u>1 January 2019 to</u><br><u>31 March 2019</u><br><u>(Unaudited)</u> |
| Net fair value gain / (loss) on investments at FVTPL - Note 7 (b) | (4,788,547)  | 30,493,492   |
| Dividends from investments in securities                          | ---  | 2,839,000  |
| Interest on term deposits   | 25,183   | 4,833  |
| Gain on disposal of property and equipment                        | 23,250   | ---  |
| Net income from investment properties                             | 1,074,525  | 1,231,465  |
| Write off investment through FVTOCI and FVTPL                     | (70,035)   | ---  |
| Realized (loss) from sale of investment FVTPL                     | (10,167)   | (29,534,730)   |
| Provision for doubtful debts written back - Note 9 (c)            | ---  | 8,217  |
| Other gain / (loss)   | 454,280  | (2,008,100)  |
| <b>Net - Exhibit B</b>  | <u>(3,291,511)</u>   | <u>3,034,177</u>   |
| <b>19. (LOSS) PER ORDINARY SHARE</b>                              |  |  |
| This item consists of the following:                              |  |  |
|   | <u>For the period from</u><br><u>1 January 2020 to</u><br><u>31 March 2020</u><br><u>(Unaudited)</u> | <u>For the period from</u><br><u>1 January 2019 to</u><br><u>31 March 2019</u><br><u>(Unaudited)</u> |
| (Loss) for the period / year                                      | <u>(11,158,028)</u>  | <u>(4,397,035)</u>   |
| Weighted number of shares in issue throughout the period / year   | 420,000,000  | 420,000,000  |
| <b>Basic (loss) per share - Exhibit B</b>                         | <u>(0.0266)</u>  | <u>(0.0105)</u>  |

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**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 company 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 than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from period to period 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.

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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 company'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 company in relation to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the period. The company is subject to local insurance solvency regulations with which it has complied with during the period.

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

|                            | <u>31 March 2020</u> | <u>31 December 2019</u> |
|----------------------------|----------------------|-------------------------|
|                            | <u>(Unaudited)</u>   | <u>(Audited)</u>        |
| Total shareholders' equity | <u>63,330,047</u>    | <u>74,433,438</u>       |
| Minimum regulatory capital | <u>100,000,000</u>   | <u>100,000,000</u>      |

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 11).

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.

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Re-insurance is used to manage insurance risk. This does not, however, discharge the company's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the company 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 company. 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 interim 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 periodic 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 period. 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*

The group's board of directors adopted an appropriate liquidity risk management framework as the responsibility of liquidity risk management rests with them.



**AL KHIAZNA INSURANCE COMPANY P.S.C**  
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**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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The following table shows the maturity dates of group's financial assets and liabilities as at 31 March 2020 (Unaudited),

|   | <u>Less</u>        | <u>More</u>        |                    |
|---|--------------------|--------------------|--------------------|
|   | <u>than 1 year</u> | <u>than 1 year</u> | <u>Total</u>       |
| <i>Financial assets</i>                               |                    |                    |                    |
| Investments designated at (FVTOCI)                    | ----               | 9,907,475          | 9,907,475          |
| Investments designated at (FVTPL)                     | 37,427,011         | ----               | 37,427,011         |
| Statutory deposit                                     | ----               | 3,764,192          | 3,764,192          |
| Premium and insurance balances receivables            | 81,253,167         | ----               | 81,253,167         |
| Reinsurance shares of claims under settlement reserve | 21,451,045         | ----               | 21,451,045         |
| Other receivable and prepayments                      | 11,648,788         | ----               | 11,648,788         |
| Cash and cash equivalents                             | 5,613,750          | ----               | 5,613,750          |
| <b>Total</b>  | <u>157,393,761</u> | <u>13,671,667</u>  | <u>171,065,428</u> |
| <i>Financial liabilities</i>                          |                    |                    |                    |
| Claims under settlement reserve                       | 19,634,807         | ----               | 19,634,807         |
| Insurance and other payables                          | 157,290,007        | ----               | 157,290,007        |
| Borrowings from banks                                 | 87,276,585         | 108,799,461        | 196,076,046        |
| End of service benefits obligation                    | ----               | 7,290,375          | 7,290,375          |
| <b>Total</b>  | <u>264,201,399</u> | <u>116,089,836</u> | <u>380,291,235</u> |

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

|   | <u>Less</u>        | <u>More</u>        |                    |
|---|--------------------|--------------------|--------------------|
|   | <u>than 1 year</u> | <u>than 1 year</u> | <u>Total</u>       |
| <i>Financial assets</i>                               |                    |                    |                    |
| 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         |
| Cash and cash equivalents                             | 6,183,406          | ----               | 6,183,406          |
| <b>Total</b>  | <u>152,008,078</u> | <u>19,954,971</u>  | <u>171,963,049</u> |
| <i>Financial liabilities</i>                          |                    |                    |                    |
| Claims under settlement reserve                       | 36,072,356         | ----               | 36,072,356         |
| Insurance and other payables                          | 142,833,452        | ----               | 142,833,452        |
| Borrowings from banks                                 | 87,276,585         | 105,967,346        | 193,243,931        |
| End of service benefits obligation                    | ----               | 7,361,463          | 7,361,463          |
| <b>Total</b>  | <u>266,182,393</u> | <u>113,328,809</u> | <u>379,511,202</u> |

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**NOTES TO INTERIM CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**21. SEGMENT INFORMATION**

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

1) Re-writing 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                        |
|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                            | 31 March 2020<br>(Unaudited) | 31 March 2019<br>(Unaudited) | 31 March 2020<br>(Unaudited) | 31 March 2019<br>(Unaudited) |                              |
| Segment revenue            | 13,989,977                   | 13,287                       | (3,291,511)                  | 3,034,177                    | 10,698,466                   |
| Segment result             | (5,283,248)                  | (5,284,019)                  | (3,291,511)                  | 3,034,177                    | (8,574,759)                  |
| Unaudited expenses         |                              |                              |                              | (2,583,269)                  | (2,583,269)                  |
| Unaudited income generated |                              |                              |                              | (11,158,028)                 | (11,158,028)                 |
|                            |                              |                              |                              |                              | 31 March 2019<br>(Unaudited) |
|                            |                              |                              |                              |                              | 3,047,464                    |
|                            |                              |                              |                              |                              | (2,249,822)                  |

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**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

|                         | Underwriting                 |                               | Investments                  |                               | Total                                       |
|-------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|---|
|                         | 31 March 2020<br>(Unaudited) | 31 December 2019<br>(Audited) | 31 March 2020<br>(Unaudited) | 31 December 2019<br>(Audited) |   |
| Segment assets          | 116,055,292                  | 103,761,844                   | 342,035,278                  | 553,176,894                   | 31 March 2020<br>(Unaudited)<br>458,090,570 |
| Unallocated assets      |                              |                               |                              |                               | 5,640,222                                   |
| Total assets            |                              |                               |                              |                               | 463,730,792                                 |
| Segment liabilities     | 183,422,328                  | 174,432,504                   | 198,945,148                  | 196,249,487                   | 382,367,476                                 |
| Unallocated liabilities |                              |                               |                              |                               | 18,033,269                                  |
| Total liabilities       |                              |                               |                              |                               | 400,400,745                                 |

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

|   | 31 March 2020<br>(Unaudited) | 31 March 2019<br>(Unaudited) |
|---|------------------------------|------------------------------|
| Motor   | 1,956,649                    |                              |
| Engineering                                       | 121,482                      | 50,847                       |
| Fire and general accidents                        | 142,369                      | 232,916                      |
| Marine and aviation                               | 13,486                       | 30,221                       |
| Employee benefits, medical and personal assurance | 11,755,991                   | (300,697)                    |
| <b>Total - Exhibit B</b>                          | <b>13,989,977</b>            | <b>13,287</b>                |

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**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**22. CONTINGENT LIABILITIES**

This item consists of the following:

|                      | <u>31 March 2020</u><br><u>(Unaudited)</u> | <u>31 December 2019</u><br><u>(Audited)</u> |
|----------------------|--|---|
| Letters of guarantee | 3,275,802                                  | 2,068,600                                   |

**23. GENERAL**

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

**24. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated interim financial statements were approved by the Board of Directors and authorized for issue. On their board meeting dated 29 March 2021.