AL KHAZNA INSURANCE COMPANY P.S.C

PUBLIC JOINT STOCK

UNITED ARAB EMIRATES

REVIEW REPORT AND CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 SEPTEMBER 2018

AL KHAZNA INSURANCE COMPANY P.S.C
PUBLIC JOINT STOCK
UNITED ARAB EMIRATES

INDEX

AL KHAZNA INSURANCE COMPANY P.S.C.

Report of the Board of Directors for the six months period ended 30 September 2018

The Board of Directors of Al Khazna Insurance Company P.S.C. is pleased to submit its third quarter report of 2018 together with the interim financial information for the nine-month period ended 30 September 2018.

The third quarter result indicates that the corrective and stimulus measures taken by the management had positive impacts on core and investment segment of the company. Overall, the underwriting and investment results improved significantly compare to year 2017.

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

- Significantly, the underwriting loss have been reduced to AED 11.4 million compared to AED 57.3 million during the nine months period ended 30 September 2018.
- The net investment result is showing a gain of AED 9.4 million for the period ended 30 September 2018 compared to AED 41 million loss during the same period in year 2017.
- Overall, the net loss is reduced to 9.4 million of for the period 1 January 2018 to 30 September 2018 compared AED 106 million loss posted in 1 January 2017 to 30 September
- The total assets of the Group were AED 546.8 million as at 30 September 2018 against AED 636.4 million as at 31 December 2017.
- The total capital and reserves attributable to the Company's equity holders is AED 102.9 million as at 30 September 2018 against AED 115.5 million as at 31 December 2017.

Though there were many challenges in terms of business growth, the mitigating measures adopted by the management and board of Directors has proven successful from the overall improvement in the third quarter 2018 results.

By continuing the proactive and stimulus measures, we strongly believe that the Group will enhance its performance by improving the profitability in all the segments of our operations during the remaining period of 2018. Accordingly these condensed consolidated financial statements are prepared adopting the going concern basis of accounting.

Director

Date:

0 8 NOV 2018

REPORT ON REVIEW AND INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying consolidated interim financial statements of **Al Khazna Insurance Company P.S.C** - Public Shareholding Company, as at 30 September 2018 which comprise the consolidated interim statement of financial position as at 30 September 2018 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 2018 to 30 September 2018 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 9,414,571 cash flows used in operating activities amounted to AED 27,097,622, and accumulated losses exceeded 50% of the share capital.

REPORT ON REVIEW AND INTERIM FINANCIAL INFORMATION (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, and the group disposed property worth of 17.6 Millions in second quarter of 2018 and planning to dispose more in the fourth quarter of 2018.

- The Insurance authorities suspension is prevailing till the reporting period and the group had appointed a third party consultant for the corrective proposal.

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

As disclosed in Note 7 to the consolidated interim financial statements:

- The Group's investment in Sanad Cooperative Insurance Company ("Sanad"), classified as investment at "fair value through profit or loss" is carried at AED 4.1 million as at 30 September 2018. We were unable to obtain sufficient appropriate evidence about the fair value of the Group's investment in Sanad as at 30 September 2018 and the Group's gain / loss resulting from the change in fair value for the year because the shares valuation is based on the 31 December 2016 financial statements of Sanad on which the external auditors expressed a disclaimer of opinion. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

- The Group's investments classified at "available-for-sale" (AFS) include investments in unquoted equity securities carried at AED 42 million as at 30 September 2018, and the Group's loss resulting from the change in fair value of these investments of AED 3.1 million is included in the Group's consolidated interim statement of total comprehensive income for the period then ended. We were unable to obtain sufficient appropriate evidence about the fair value of the Group's investments in these shares as at 30 September 2018 and the Group's gain/loss resulting from the change in fair value for the period because the shares valuations are based on the prior year financial information of the investees as current information is absent. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Further, as disclosed in Note 6 to the consolidated interim financial statements:

REPORT ON REVIEW AND INTERIM FINANCIAL INFORMATION (continued)

- Included in investment properties is a plot of land (C-72 in Mussafah) valued at AED 9.1 million as of 31 December 2016 and registered in the name of previous directors who had assigned full beneficial rights of the plot to the Group. During third quarter 2017 of the reporting period, as per management, this plot of land has been swapped with another plot of land (C-76 in Mussafah) by the Department of Urban Planning and Municipalities. We have not been provided with the necessary evidence to substantiate this transaction. Further, the new plot of land valued at AED 6.6 million as of 30 September 2018 (valued at AED 7.7 million as of 31 December 2017) is also registered in the name of the previous directors, who had assigned full beneficial rights of the plot to the Group. We were unable to ascertain the valuation and rights and obligations for this property and consequently, we were unable to determine whether any adjustments to this amount were necessary.

- The Group's investment properties include two plots of land with a carrying value of AED 90 million as of 30 September 2018 (31 December 2017 : AED 87.3 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.

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.

Key Audit Matters

The consolidated financial statements of the group for the year ended 31 December 2017 were audited by another auditor who expressed a disclaimer opinion on those statements on 27 March 2018.

Report on other legal and regulatory requirements

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

Talal Abu Ghazaleh & Co. International

Talal Abu Ghazaleh & Co. International
ABU DHABI
طلال أبو غزاله وشركاه الدولية
أبو ظبي

Firas Kilani
Licensed Auditor No. 632

8 November 2018

AL KHAZNA INSURANCE COMPANY P.S.C
PUBLIC JOINT STOCK
UNITED ARAB EMIRATES

EXHIBIT A

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

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

	NOTE	30 September 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS			
Property and equipment	5	**966,474**	1,311,520
Investments properties	6	**297,381,360**	302,795,000
Available for sale investments	7 (a)	**42,308,629**	60,086,539
Investments designated at fair value through profit and loss (FVTPL)	7 (b)	**64,847,345**	82,921,862
Statutory deposit	8	**10,000,000**	10,000,000
Premium and insurance balances receivables	9	**57,491,371**	66,452,797
Reinsurance contract assets	10	**47,742,368**	85,164,957
Other receivable and prepayments	11	**13,220,483**	9,545,524
Differed acquisition cost		**824,434**	2,823,158
Deposits		-----	1,858,633
Cash and cash equivalents	12	**12,024,632**	13,451,566
TOTAL ASSETS		**546,807,096**	636,411,556
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO SHAREHOLDERS' OF THE PARENT			
Share premium		**1,788,422**	1,788,422
Accumulated (losses)		**(404,644,506)**	(395,229,935)
Issued and paid up share capital	13	**420,000,000**	420,000,000
Investment revaluation reserve		**11,736,841**	11,736,841
Fair value reserve		**11,884,607**	15,040,748
Statutory reserve		**62,145,349**	62,145,349
Net equity - Exhibit C		**102,910,713**	115,481,425
LIABILITIES			
Borrowings from banks	14	**184,364,466**	195,279,325
End of service benefits obligation		**6,762,836**	6,361,625
Technical provisions	15	**104,797,725**	176,125,116
Insurance and other payables	16	**142,500,231**	137,126,256
Reinsurance deposit retained		**800,980**	1,418,818
Unearned reinsurance commission		**284,011**	593,997
Deferred income		**4,386,134**	4,024,994
Total liabilities		**443,896,383**	520,930,131
Total equity and liabilities		**546,807,096**	636,411,556

Director **Managing Director**

Head of Finance

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

AL KHAZNA INSURANCE COMPANY P.S.C
PUBLIC JOINT STOCK
UNITED ARAB EMIRATES

EXHIBIT B

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 SEPTEMMBER 2018

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

	NOTE	3 Months ended 30 September		9 Months ended 30 September	
		30 September 2018 (Unaudited)	30 September 2017 (Unaudited)	30 September 2018 (Unaudited)	30 September 2017 (Unaudited)
Gross premium	21 (c)	**(77,534)**	56,139,057	**39,153,799**	89,550,151
Reinsurance share of ceded business premiums		**(1,898,551)**	(20,538,888)	**(9,795,683)**	(28,905,919)
Net premium		**(1,976,085)**	35,600,169	**29,358,116**	60,644,232
Change in Unearned premium provision		**13,666,107**	(8,100,861)	**15,418,200**	33,167,097
Net premium earned		**11,690,022**	27,499,308	**44,776,316**	93,811,329
Commissions earned	21 (c)	**472,001**	1,726,581	**873,208**	3,125,725
Commissions paid		**(921,617)**	(3,932,755)	**(5,048,140)**	(11,428,424)
Gross underwriting income		**11,240,406**	25,293,134	**40,601,384**	85,508,630
Gross claims paid		**(12,834,953)**	(35,929,350)	**(59,259,233)**	(158,085,207)
Reinsurance share of insurance claims		**4,298,298**	4,623,382	**17,202,394**	35,398,727
Net claims paid		**(8,536,655)**	(31,305,968)	**(42,056,839)**	(122,686,480)
Change in claims under settlement reserve		**2,980,197**	8,178,153	**15,806,469**	33,126,116
Change in reinsurance share for claims under settlement reserve		**(2,489,739)**	(2,952,690)	**(9,674,831)**	(20,730,542)
Change in claims incurred but not reported reserve		**5,238,319**	(3,524,581)	**20,873,892**	(3,416,341)
Change in insurance share for claims incurred but not reported reserve		**(4,564,310)**	1,833,191	**(13,299,503)**	1,021,608
Change in unallocated loss adjustments expenses reserve		**222,120**	16,934	**(1,057,607)**	383,373
Change in unexpired risk reserve		**4,282,053**	(5,183,647)	**6,305,677**	(2,938,398)
Change in reinsurance share of unexpired reserve		**----**	286,670	**(467,494)**	(3,095,798)
Net claims incurred		**(2,868,015)**	(32,651,938)	**(23,570,236)**	(118,336,462)

AL KHAZNA INSURANCE COMPANY P.S.C
PUBLIC JOINT STOCK
UNITED ARAB EMIRATES

CONT. EXHIBIT B

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 SEPTEMBER 2018

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

	NOTE	3 Months ended 30 September		9 Months ended 30 September	
		30 September 2018 (Unaudited)	30 September 2017 (Unaudited)	**30 September 2018 (Unaudited)**	30 September 2017 (Unaudited)
Operating expenses	17	**(11,675,861)**	(5,946,058)	**(28,425,225)**	(24,470,382)
Net underwriting (loss)		**(3,303,470)**	(13,304,862)	**(11,394,077)**	(57,298,214)
Income / (loss) from investments	18	**(207,241)**	(5,236,953)	**9,441,227**	(41,322,035)
Total (loss)		**(3,510,711)**	(18,541,815)	**(1,952,850)**	(98,620,249)
Finance cost		**(2,468,525)**	(2,476,468)	**(7,461,721)**	(7,492,588)
Net (loss) for the period - Exhibit D		**(5,979,236)**	(21,018,283)	**(9,414,571)**	(106,112,837)
Profit (loss) per ordinary share	19	**(0.0142)**	(0.0500)	**(0.0224)**	(0.2526)

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

AL KHAZNA INSURANCE COMPANY P.S.C
PUBLIC JOINT STOCK
UNITED ARAB EMIRATES

EXHIBIT B

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 SEPTEMBER 2018

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

	NOTE	For the period from 1 January 2018 to 30 September 2018 (Unaudited)	For the period from 1 January 2017 to 30 September 2017 (Unaudited)
(Loss) for the period		**(9,414,571)**	(106,112,837)
Other comprehensive (loss):			
Fair value (loss) on investments available for sale	7 (b)	**(3,156,141)**	(5,425,749)
Other comprehensive (loss) for the period		**(3,156,141)**	(5,425,749)
Total comprehensive (loss) for the period - Exhibit C		**(12,570,712)**	(111,538,586)

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

AL KHAZNA INSURANCE COMPANY P.S.C

PUBLIC JOINT STOCK

UNITED ARAB EMIRATES

EXHIBIT C

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 SEPTEMBER 2018

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

	Share Premium	Accumulated (losses)	Issued and paid up share capital	Fair value and revaluation reserve	Statutory reserve	Total
Equity at 1 January 2017 - Exhibit A (Audited)	1,788,422	(254,708,897)	420,000,000	31,627,083	62,145,349	260,851,957
(Loss) for the period - Exhibit B	----	(106,112,837)	----	----	----	(106,112,837)
Other comprehensive (loss) for the period - Exhibit B	----	----	----	(5,425,749)	----	(5,425,749)
Equity at 30 September 2017 - Exhibit A (Unaudited)	1,788,422	(360,821,734)	420,000,000	26,201,334	62,145,349	149,313,371
Equity at 1 January 2017 - Exhibit A (Audited)	1,788,422	(395,229,935)	420,000,000	26,777,589	62,145,349	115,481,425
(Loss) for the period - Exhibit B	----	**(9,414,571)**	----	----	----	**(9,414,571)**
Other comprehensive (loss) for the period - Exhibit B	----	----	----	**(3,156,141)**	----	**(3,156,141)**
Equity at 30 September 2018 - Exhibit A (Unaudited)	**1,788,422**	**(404,644,506)**	**420,000,000**	**23,621,448**	**62,145,349**	**102,910,713**

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

AL KHAZNA INSURANCE COMPANY P.S.C

PUBLIC JOINT STOCK

UNITED ARAB EMIRATES

EXHIBIT D

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 SEPTEMBER 2018

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

	For the period from 1 January 2018 to 30 September 2018 (Unaudited)	For the period from 1 January 2017 to 30 September 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss) for the period - Exhibit B	(9,414,571)	(106,112,837)
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment	429,362	514,358
Net fair value (gain) / loss on investment properties	(12,191,360)	8,314,000
Net fair value loss on investment designated at FVTPL	20,668,007	44,802,996
Realized loss on investment designated at FVTPL	83,276	2,021,860
Net income from investment properties	(5,100,101)	(7,354,385)
Dividends from investments in securities	(7,607,940)	(6,287,345)
Interest income	(14,907)	(23,896)
Finance cost	7,461,721	7,492,588
(Gain) on disposal of property and equipment	-----	(72,254)
Provision for doubtful receivables, net	(1,519,459)	269,617
End of service benefits obligation	401,211	732,459
Operating (loss) before working capital changes	(6,804,761)	(55,702,839)
Changes in the components of working capital:		
Decrease / (increase) in deferred acquisition costs	1,998,724	(5,843,306)
Decrease in other reinsurance contract assets	37,422,589	32,368,488
(Decrease) in insurance contract liabilities	(71,327,391)	(58,359,334)
(Decrease) in unearned reinsurance commission	(309,986)	(855,680)
Decrease in premium and insurance receivables	10,480,885	12,685,910
(Increase) in other receivables and prepayments	(3,674,959)	----
Increase in insurance and other payables	5,373,975	20,446,079
(Decrease) in reinsurance deposit retained	(617,838)	(512,816)
Increase / (decrease) in differed income	361,140	(3,307,170)
Net cash flows (used in) operating activities	(27,097,622)	(59,080,668)
Settlement of end of service benefit obligation	----	(180,817)
Net cash flows (used in) operating activities	(27,097,622)	(59,261,485)

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

CONT. EXHIBIT D

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 SEPTEMBER 2018

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

	For the period from 1 January 2018 to 30 September 2018 (Unaudited)	For the period from 1 January 2017 to 30 September 2017 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of investments AVFS	**8,750,915**	----
Disposal of investments at FVTPL	**3,194,088**	15,915,802
Disposal of investments properties	**17,605,000**	----
Decrease / (increase) in deposits	**1,858,633**	(28,826)
Purchase of property and equipment	**(84,316)**	(226,428)
Dividends received	**7,607,940**	6,287,345
Net income from investment in properties	**5,100,101**	7,354,385
Interest income received	**14,907**	23,896
Proceed from sale of property and equipment	----	77,498
Net cash flows from investing activities	**44,047,268**	29,403,672
CASH FLOWS FROM FINANCING ACTIVITIES :		
(Decrease) in borrowings from banks	**(10,914,859)**	(10,060,816)
Finance cost	**(7,461,721)**	(4,791,450)
Net cash flows (used in) financing activities	**(18,376,580)**	(14,852,266)
NET CASH FLOWS (USED) DURING THE PERIOD	**(1,426,934)**	(44,710,079)
Cash and cash equivalents at beginning of the period	**13,451,566**	55,649,026
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD - Note 12	**12,024,632**	10,938,947

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

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 2018 to 30 September 2018 includes assets, liabilities and the result of operations of the following subsidiaries:

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

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

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

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

a) In the current period, the group has adopted the new and revised International Financial Reporting Standards (IFRSs) including the International Accounting Standards (IASs) and their interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2018.

b) At the date of authorization of these consolidated interim financial statements, the following Standards and Interpretations have been issued :

	Effective for annual periods beginning on or after
IFRS 15 - revenue from contracts with customers.	1 January 2018
IFRS 9 - financial instruments.	1 January 2018
Amendments on IFRS 2 - classification and measurement of share based payment transactions.	1 January 2018
Amendments on IAS 40 - transfer of investment property.	1 January 2018
Interpretation IFRS 22 - foreign currency transactions and advance consideration.	1 January 2018
IFRS 16 - leases.	1 January 2019

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 2017 and end of January 2018. Compliance with these requirements requires significant restructuring of the Group's investments portfolio based on different milestones within the current period, with full implementation.

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

c) The Group incurred a loss of AED 9,414,571 its cash flows used in operating activities amounted to AED 27,092,622 for the period ended 30 September 2018 and its accumulated losses exceeded 50% of its share capital as of 30 September 2018.

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

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

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

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

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

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

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.

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 income. 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:

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

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

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

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 income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

f. *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 income.

g. *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.

h. *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 income.

iii) *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.

i. *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'.

j. *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.

k. *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.

l. *End of service benefits obligation*

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

m. *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.

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 period, 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 period 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 income statement.

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

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

If there is objective evidence that the insurance receivable is impaired, the 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.

n. *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.

o. *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.

p. *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 periods if the revision affects both current and future periods.

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 period 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 income statement.

ii) *Liability adequacy test*

At the end of each reporting period, 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.

5. **PROPERTY AND EQUIPMENT**

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

	Office equipment and decoration	Computer equipment and accessories	Motors vehicles	Total
COST				
At 1 January 2018 (Audited)	6,965,487	6,735,259	866,026	14,566,772
Additions	**19,276**	**10,040**	**55,000**	**84,316**
At 30 September 2018 (Unaudited)	**6,984,763**	**6,745,299**	**921,026**	**14,651,088**
ACCUMULATED DEPRECIATION				
At 1 January 2018 (Audited)	(6,638,428)	(5,958,336)	(658,488)	(13,255,252)
Charge for the period	**(76,171)**	**(232,471)**	**(120,720)**	**(429,362)**
At 30 September 2018 (Unaudited)	**(6,714,599)**	**(6,190,807)**	**(779,208)**	**(13,684,614)**
NET BOOK VALUE				
At 31 December 2017 - Exhibit A (Audited)	327,059	776,923	207,538	1,311,520
At 30 September 2018 - Exhibit A (Unaudited)	**270,164**	**554,492**	**141,818**	**966,474**

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

6. **INVESTMENT PROPERTIES**

a) This item consists of the following :

	Land	Buildings	Total
At 1 January 2018 (Audited)	152,690,000	150,105,000	302,795,000
Revaluation	**1,431,360**	**10,760,000**	**12,191,360**
Disposals	----	**(17,605,000)**	**(17,605,000)**
30 September 2018 - Exhibit A (Unaudited)	**154,121,360**	**143,260,000**	**297,381,360**

b) i) Investment properties represent the fair value of plots of lands with a total value of AED 154.1 million and buildings with a value of AED 145 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 90 million as of 30 September 2018 (31 December 2017 : AED 87.3 million) whose title were not transferred to the name of the group, pending the settlement of the last installments which are linked to the completion of the group's development works on these plots.

iii) Also included in the investment properties is a plot of land (C-72 in Mussafah) valued at AED 6.6 million as of 30 September 2018 registered in the name of previous directors who assigned full beneficial rights of the plot to the group. During the third quarter of 2017 reporting period, this plot of land was swapped with another plot of land (C-76 in Mussafah) by the Department of Urban Planning and Municipalities. Further, the new plot of land is also registered in the name of the previous directors, who assigned full beneficial rights of the plot to the group.

c) The fair value of the investment properties as of 30 September 2018 has been arrived at on the basis of independent valuations carried out by two valuers that are not related to the Group. The valuers are members of the Royal Institute of Surveyors, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

d) A building with a carrying value of AED 143 million is mortgaged in favour of First Abu Dhabi Bank against the bank loan.

7. INVESTMENTS IN FINANCIAL ASSETS

a) ***AVAILABLE FOR SALE (AFS) INVESTMENTS***

i) This item consists of the following:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Unquoted UAE equity securities	**42,308,629**	48,875,429
Quoted UAE equity securities	**----**	11,211,110
Total - Exhibit A	**42,308,629**	60,086,539

ii) Changes in investments available for (AFS) for the period / year are as follows:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Fair value at 1 January	**60,086,539**	64,936,033
Disposals	**(8,750,915)**	----
Transferred to FVTPL	**(5,870,854)**	----
(Decrease) in fair value taken to other comprehinsive income	**(3,156,141)**	(4,849,494)
Fair value as at at 30 September / 31 December	**42,308,629**	60,086,539

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 / year are as follows:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Fair value at the beginning of the period / year	**82,921,862**	168,466,719
Proceeds on disposals	**----**	(28,949,899)
Realized (loss) on disposals	**(83,276)**	(4,978,680)
Transferred from AVFS	**5,870,854**	----
Disposals	**(3,194,088)**	----
(Decrease) in fair value taken to profit or loss - Note 17	**(20,668,007)**	(51,616,278)
Fair value as at 30 September / 31 December - Exhibit A	**64,847,345**	82,921,862

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

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Within UAE	**102,296,478**	93,543,550
Outside UAE	**4,859,496**	49,464,851
Total - Note 7 (a & b)	**107,155,974**	143,008,401

iii) The investments designated in fair value through profit or loss includes an investment of Sanad Cooperative Insurance Company amounting to AED 4,100,500 based on Sanad's net assets value using 31 December 2016 financial information (which external auditor include a disclaimer of opinion) with a 20% marketability discount applied by the external auditor. This share have been dislisted on 11 May 2014 following the suspension of trading in these shares from the stock exchange since September 2014.

iv) Certain investments classified as available-for-sale (AFS) and FVTPL which are measured in these consolidated interim financial statements at AED 42 million by reference to a fair valuation that is based on prior year financial information due to the lack of recent financial information.

8. STATUTORY DEPOSIT

In accordance with the requirement of Federal Law No. 6 of 2007, concerning Insurance Companies and Agents, the company maintains a bank deposit amounting to AED 10,000,000 as of 30 September 2018 which cannot be utilized without the consent of the UAE Insurance Regulatory Authority.

9. PREMIUM AND INSURANCE BALANCES RECEIVABLES

a) This item consists of the following:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Due from policy holders	**41,162,928**	52,300,553
Due from insurance and re insurance companies	**21,950,673**	26,205,297
Due from brokers and agencies	**19,776,707**	14,865,343
Total - Note 9 (b)	**82,890,308**	93,371,193
Provision for impairment of receivables - Note 9 (c)	**(25,398,937)**	(26,918,396)
Net - Exhibit A	**57,491,371**	66,452,797

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

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
1 - 30 days	**1,079,260**	13,624,123
31 - 90 days	**6,693,366**	18,398,462
91 - 120 days	**18,207,935**	17,063,753
120 - 365 days	**11,708,941**	17,726,459
More than 366 days	**45,200,806**	26,918,396
Total - Note 9 (a)	**82,890,308**	93,731,193

The group in the normal course of business deals with various customers in UAE. Five customers' balances amounting to AED 20,526,569 constitute 24.76% of the outstanding receivables as of 30 September 2018 (31 December 2017 : AED 36,414,765, 38.8%, five customers).

c) *Provision for impairment of receivables:-*

This item consists of the following :	30 September 2018 (Unaudited)	31 December 2017 (Audited)
At 1 January	**(26,918,396)**	(17,834,871)
Charge for the period / year	**(971,305)**	(9,811,138)
Release of provision	**2,490,764**	727,613
Balance at 30 September / 31 December - Note 9 (a)	**(25,398,937)**	(26,918,396)

10. REINSURANCE CONTRACT ASSETS

This item consists of the following:	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Unearned premium reserve	**2,281,841**	16,262,635
Claims under settlement reserve	**48,677,996**	58,352,827
Claims incurred but not reported reserve	**(3,217,469)**	10,082,000
Unexpired risk reserve	----	467,495
Total - Exhibit A	**47,742,368**	85,164,957

11. OTHER RECEIVABLES AND PREPAYMENTS

a) This item consists of the following:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Deposits and other receivables	**14,796,670**	14,233,113
Provision for impairment of other receivables - Note 11 (b)	**(10,189,993)**	(10,189,993)
Rent receivables	**6,533,522**	4,014,290
Prepaid expenses	**2,080,284**	1,488,114
Net - Exhibit A	**13,220,483**	9,545,524

b) *Provision for impairment of other receivables*

This item consists of the following:	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Balance at 1 January	**(10,189,993)**	(8,138,452)
Charge for the period / year	----	(2,051,541)
Balance at 30 September / 31 December - Note 11 (a)	**(10,189,993)**	(10,189,993)

12. CASH AND CASH EQUIVALENTS

This item consists of the following:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Cash on hand	**84,200**	84,200
Cash at banks - current accounts	**11,940,432**	13,367,366
Total - Exhibit A & D	**12,024,632**	13,451,566

13. ISSUED AND PAID UP SHARE CAPITAL

a) This item consists of the following:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Authorized:		
420,000,000 shares of AED 1 each	**420,000,000**	420,000,000
Allotted, issued and fully paid		
420,000,000 shares of AED 1 each	**420,000,000**	420,000,000

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

14 BANK BORROWINGS

a) This item consists of the following:

	Current	Non-current	Total
Term loan 1	**37,463,847**	**132,476,154**	**169,940,001**
Term loan 2	**13,450**	----	**13,450**
Bank overdraft	**14,411,015**	----	**14,411,015**
As at 30 September 2018 (Unaudited)	**51,888,312**	**132,476,154**	**184,364,466**
Term loan 1	30,000,000	154,940,000	184,940,000
Term loan 2	74,316	----	74,316
Bank overdraft	10,265,009	----	10,265,009
As at 31 December 2017 (Audited)	40,339,325	154,940,000	195,279,325

b) Term loan 1:

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

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

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

The group has provided First Abu Dhabi Bank with a primary mortgage over AKIC Tower, classified under investment properties, fair valued at AED 143 million (31 December 2017 : AED 132.5 million).

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

The bank has opened a bank overdraft facility in the name of the group for the repayment of the due installments on which the group defaulted during the year. The outstanding overdraft balance as at 30 September 2018 amounted to AED 14,411,015 (31 December 2017: AED 10,265,009).

c) Term loan 2:

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

15. TECHNICAL PROVISIONS

This item consists of the following:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Unearned premiums reserve	**24,967,191**	54,366,185
Claims under settlement reserve	**61,837,513**	77,643,982
Claims incurred but reported reserve	**11,063,247**	31,937,105
Un allocated loss adjustment expenses reserve	**3,180,381**	2,122,774
U.R.R reserve	**3,749,393**	10,055,070
Total - Exhibit A	**104,797,725**	176,125,116

16. INSURANCE AND OTHER PAYABLES

This item consists of the following:	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Payable to policy holders	**41,411,779**	56,114,544
Payable to insurance companies	**54,894,437**	29,567,339
Payable to brokers / agents	**2,308,058**	18,599,363
Dividends payable	**18,033,546**	18,034,036
Accruals and other payables	**25,852,411**	14,810,974
Total - Exhibit A	**142,500,231**	137,126,256

17. OPERATING EXPENSES

This item consists of the following :	For the period from 1 January 2018 to 30 September 2018 (Unaudited)	For the period from 1 January 2017 to 30 September 2017 (Unaudited)
Salaries and related benefits	**17,003,085**	18,219,469
Rent expenses	**1,741,898**	2,000,337
Depreciation on property and equipment	**429,362**	514,358
Fees and license	**505,892**	665,312
Doubtful debts expenses (net) - Note 9 (c)	**971,305**	269,617
VAT expenses	**5,119,157**	----
Other general expenses	**2,654,526**	2,801,289
Total - Exhibit B	**28,425,225**	24,470,382

18. INCOME FROM INVESTMENT

This item consists of the following :	For the period from 1 January 2018 to 30 September 2018 (Unaudited)	For the period from 1 January 2017 to 30 September 2017 (Unaudited)
Net fair value (loss) on investments at FVTPL - Note 7 (b)	**(20,668,007)**	(44,802,996)
Dividends from investments in securities	**7,607,940**	6,287,345
Interest on term deposits	**14,907**	23,896
(Loss) from sale of AFS	**(603,189)**	----
Net income from investment properties	**5,100,101**	7,354,385
Gain / (loss) from revaluation of investments properties	**12,191,360**	(8,314,000)
Realized gain / (loss) from sale of investment FVTPL	**4,785,373**	(2,021,860)
Provision for doubtful debts written back	**2,490,764**	----
Other (Loss) / income	**(1,478,022)**	151,195
Net - Exhibit B	**9,441,227**	(41,322,035)

19. (LOSS) PER ORDINARY SHARE

This item consists of the following:

	For the period from 1 January 2018 to 30 September 2018 (Unaudited)	For the period from 1 January 2017 to 30 September 2017 (Unaudited)
(Loss) for the period	**(9,414,571)**	(106,112,837)
Weighted number of shares in issue throughout the period	**420,000,000**	420,000,000
Basic (loss) per share - Exhibit B	**(0.0224)**	(0.2526)

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 that estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

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

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

b) *Capital risk*

The group's objectives when managing capital are :

- To comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of UAE.
- To safeguard the 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 year. 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.

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Total shareholders' equity	**102,910,713**	115,481,425
Minimum regulatory capital	**100,000,000**	100,000,000

c) *Credit risk*

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

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

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

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 year. The UAE Dirham is effectively pegged to the US Dollar, thus foreign currency risk occurs only in respect of other currencies. The group maintains policies and procedures to manage the exchange rate risk exposure.

g) *Liquidity risk*

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

The following table shows the maturity dates of group's financial assets and liabilities as at 30 September 2018 (Unaudited).

Financial assets	**Less than 1 year**	**More than 1 year**	**Total**
Non - interest bearing	**131,414,482**	**----**	**131,414,482**
Interest bearing	**107,155,974**	**10,000,000**	**117,155,974**
Total	**238,570,456**	**10,000,000**	**248,570,456**
Financial liabilities			
Non - interest bearing	**204,337,744**	**----**	**204,337,744**
Interest bearing	**51,888,312**	**132,476,154**	**184,364,466**
Total	**256,226,056**	**132,476,154**	**388,702,210**

The following table shows the maturity dates of group's financial assets and liabilities as at 31 December 2017 (Audited).

Financial assets	Less than 1 year	More than 1 year	Total
Non - interest bearing	134,351,148	----	134,351,148
Interest bearing	158,318,600	10,000,000	168,318,600
Total	292,669,748	10,000,000	302,669,748
Financial liabilities			
Non - interest bearing	214,770,238	----	214,770,238
Interest bearing	40,339,325	154,940,000	195,279,325
Total	255,109,563	154,940,000	410,049,563

21. **SEGMENT INFORMATION**

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

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

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

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

	Underwriting		**Investments and Others**		**Total**	
	30 September 2018 (Unaudited)	30 Setpember 2017 (Audited)	**30 September 2018 (Unaudited)**	30 Setpember 2017 (Audited)	**30 September 2018 (Unaudited)**	30 Setpember 2017 (Audited)
Segment revenue	**40,027,007**	92,675,876	**9,441,227**	(41,322,035)	**49,468,234**	51,353,841
Segment result	**(11,394,077)**	(57,298,214)	**9,441,227**	(41,322,035)	**(1,952,850)**	(98,620,249)
Unallocated expenses					**(7,461,721)**	(7,492,588)
(loss) for the period					**(9,414,571)**	(106,112,837)

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

	Underwriting		Investments		Total	
	30 September 2018 (Unaudited)	31 December 2017 (Audited)	30 September 2018 (Unaudited)	31 December 2017 (Audited)	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Segment assets	**120,245,130**	165,297,956	**414,537,334**	457,662,034	534,782,464	622,959,990
Unallocated assets					**12,024,632**	13,451,566
Total assets					**546,807,096**	636,411,556
Segment liabilities	**237,112,237**	303,591,776	**188,750,600**	199,304,319	**425,862,837**	502,896,095
Unallocated liabilities					**18,033,546**	18,034,036
Total liabilities					**443,896,383**	520,930,131

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

	For the period from 1 January 2018 to 30 September 2018 (Unaudited)	For the period from 1 January 2017 to 30 September 2017 (Unaudited)
Motor	**7,542,447**	18,006,886
Engineering	**1,303,313**	4,142,247
Fire and general accidents	**2,258,939**	23,067,279
Marine and aviation	**1,401,861**	1,316,994
Employee benefits, medical and personal assurance	**27,520,447**	46,142,470
Total - Exhibit B	**40,027,007**	92,675,876

22. FINANCIAL ASSETS AND LIABILITIES

This item consists of the following:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Financial assets		
Available for sale investments	**42,308,629**	60,086,539
Investments designated at (FVTPL)	**64,847,345**	82,921,862
Statutory deposit	**10,000,000**	10,000,000
Reinsurance shares of claims under settlement reserve	**48,677,996**	58,352,827
Premium and insurance balances receivables	**57,491,371**	66,452,797
Other receivable and prepayments	**13,220,483**	9,545,524
Deposits	----	1,858,633
Cash and cash equivalents	**12,024,632**	13,451,566
Total	**248,570,456**	302,669,748
Financial liabilities		
Claims under settlement reserve	**61,837,513**	77,643,982
Insurance and other payables	**142,500,231**	137,126,256
Borrowings from banks	**184,364,466**	195,279,325
Total	**388,702,210**	410,049,563

23. CONTINGENT LIABILITIES

This item consists of the following:

	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Letters of guarantee	**2,368,600**	2,198,000

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the consolidated interim financial statements presentation for the current period.

25. GENERAL

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

26. 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 8 November 2018.