AL KHAZNA INSURANCE COMPANY P.S.C.

Reports and interim financial information for the nine months period ended 30 September 2017

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Report of the Board of Directors
for the nine months period ended 30 Septemher 2017

The Board of Directors of Al Khazna Insurance Company P.S.C. is pleased to submit its third quarter report of 2017 together with the interim financial information for the nine-month period ended 30 September 2017.

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

- Gross Premium written decreased from AED 202.9 million for the nine months period ended 30 September 2016 to AED 89.6 million for the nine months period ended 30 September 2017.
- The underwriting loss is AED 57.3 million for the nine months period ended 30 September 2017 as compared to AED 24.7 million for the nine months period ended 30 September 2016.
- The net investment results for the period registered a loss of AED 43.9 million for the nine months period ended 30 September 2017 against gain of AED 1.7 million for the nine months period ended 30 September 2016.
- The loss for the nine months' period ended 30 September 2017 is AED 106.1 million against net loss of AED 44.8 million for the nine months period ended 30 September 2016.
- The total assets of the Group were AED 708.5 million as at 30 September 2017 against AED 871.0 million as at 31 December 2016.
- The total capital and reserves attributable to the Company's equity holders is AED 149.3 million as at 30 September 2017 against AED 260.9 million as at 31 December 2016.
- Note 3.3 to the condensed consolidated financial statements disclose that the Group is facing significant challenges in terms of meeting its operating and financing cash flows requirements in the foreseeable future, which indicate the existence of material uncertainty that may cast a significant doubt on the Group's ability to continue as going concern. Note 3.3 also discloses mitigating measures planned by Management and Board, based on which, we believe the Group will overcome these challenges and continue in operational existence for the foreseeable future. Accordingly, these condensed consolidated financial statements are prepared adopting the going concern basis of accounting.

Director

10 January 2018

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We were engaged to review the accompanying condensed consolidated statement of financial position of Al Khazna Insurance Company P.S.C. ("the Company") and its subsidiaries ("the Group") as at 30 September 2017 and the related condensed consolidated statements of profit or loss, total comprehensive income, changes in equity and cash flows and other explanatory information for the nine months period then ended (together, the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on the accompanying interim financial information. Because of the matters described in the Basis for Disclaimer of Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence as a basis for expressing a conclusion on the interim financial information.

Basis for disclaimer of conclusion

As discussed in note 3.3 to the condensed consolidated financial statements, as of the end of the reporting period, the Group's losses for the period amounted to AED 106.1 million, cash flows used in operating activities amounted to AED 64.1 million, and accumulated losses exceeded 50% of the share capital. Management was expecting to submit a detailed Corrective Plan to the Insurance Authority and to dispose investment assets amounting to AED 45 million by the end of September 2017.

In addition, subsequent to the period end, the Group has defaulted in repayment of one of its loan installments amounting to AED 12.4 million. The total recognised amount of the outstanding loan is AED 197.3 million including interest. As a result of the default, the Group has breached its covenants contained in its loan agreement and the whole amount of the outstanding loan becomes immediately payable along with a previously forgiven amount of AED 39.4 million (plus interest). Based on the contractual agreement, the lender may enforce the term of the agreement in this respect to recover the whole amount. In this event, adjustments would have to be made to provide for further liabilities and to reclassify these liabilities as current liabilities.

As of the date of this report, the Corrective Plan has not been approved, only assets worth AED 28.9 million have been disposed, no replacement financing or renegotiation of the terms of the bank loan has been concluded, and only partial settlement of the past due loan payment amounting to AED 5.7 million has been paid.

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 a disposal of certain assets during January 2018.

Deloitte.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Basis for disclaimer of conclusion (continued)

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

As disclosed in Note 5 to the condensed consolidated 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 2017, and the Group's loss resulting from the change in fair value of Sanad shares of AED 40.4 million is included in the Group's statement of profit or loss for the nine month period then ended. We were unable to obtain sufficient appropriate evidence about the fair value of the Group's investment in Sanad as at 30 September 2017 and the Group's gain/loss resulting from the change in fair value for the period 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 43.64 million as at 30 September 2017, and the Group's loss resulting from the change in fair value of these investments of AED 6.2 million is included in the Group's statement of total comprehensive income for the nine month 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 2017 and the Group's gain/loss resulting from the change in fair value for the period because the shares valuations are based on the 31 December 2016 financial information of the investees as current information is absent. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Disclaimer of conclusion

Due to the significance of the matters described in the *Basis of Disclaimer of Conclusion* section, we were unable to obtain sufficient appropriate evidence to form a conclusion on the accompanying interim financial information. Accordingly, we do not express a conclusion on this interim financial information.

Emphasis of matter

We draw attention to note 4 to the condensed consolidated financial statements, which discloses that the Group's investment properties include two plots of land with a carrying value of AED 87.3 million for which the master developer did not transfer the titles to the name of the Company, pending the settlement of the last instalments which are linked to the completion of the development works.

Deloitte & Touche (M.E.)

Signed by:
Georges F. Najem
Registration No. 809
10 January 2018
Abu Dhabi
United Arab Emirates

Condensed consolidated statement of financial position
as at 30 September 2017

	Notes	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
ASSETS			
Property and equipment		**1,445,133**	1,738,307
Investment properties	4	**314,485,000**	322,799,000
Investments in securities:			
- Available-for-sale (AFS) investments	5	**59,510,284**	64,936,033
- Investments at fair value through profit or loss (FVTPL)	5	**105,726,061**	168,466,719
Statutory deposit	6	**10,000,000**	10,000,000
Reinsurance share of technical provisions:			
- Unearned premium reserve	7	**20,310,733**	19,774,489
- Claims under settlement reserve	7	**64,712,537**	85,443,079
- Claims incurred but not reported reserve	7	**13,404,538**	12,382,930
- Unexpired risk reserve	7	**747,177**	3,842,975
Insurance receivables	8	**89,881,970**	99,546,054
Other receivables and prepayments	9	**12,399,941**	15,691,384
Deferred acquisition costs		**3,064,573**	8,907,879
Term deposits	10	**1,858,633**	1,829,807
Cash and cash equivalents		**10,938,947**	55,649,026
Total assets		**708,485,527**	871,007,682

Condensed consolidated statement of financial position (continued)
as at 30 September 2017

	Notes	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	420,000,000	420,000,000
Share premium		1,788,422	1,788,422
Legal reserve	12	62,145,349	62,145,349
Regulatory reserve	13	-	-
Investments revaluation reserve		14,464,493	19,890,242
Revaluation reserve		11,736,841	11,736,841
Accumulated losses		(360,821,734)	(254,708,897)
Total capital and reserves		149,313,371	260,851,957
LIABILITIES			
Provision for end of service benefit		6,236,977	5,845,678
Gross technical provisions:			
- Unearned premium reserve	7	68,609,491	101,240,344
- Claims under settlement reserve	7	88,950,496	122,076,612
- Claims incurred but not reported reserve	7	37,081,014	33,664,673
- Unallocated loss adjustment expense reserve	7	2,446,688	2,830,061
- Unexpired risk reserve	7	14,812,171	11,873,773
Insurance payables	14	105,596,194	83,812,659
Other payables	15	33,817,875	32,454,193
Reinsurance deposit retained		1,538,555	2,051,371
Unearned reinsurance commission		667,583	1,523,263
Deferred income		4,380,523	7,687,693
Bank borrowings	16	195,034,589	205,095,405
Total liabilities		559,172,156	610,155,725
Total equity and liabilities		708,485,527	871,007,682

Director **Managing Director** **Head of Finance**

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

Condensed consolidated statement of profit or loss (unaudited) for the nine months period ended 30 September 2017

		3 months ended 30 September		9 months ended 30 September	
		2017	2016	2017	2016
	Notes	AED	AED	AED	AED
Gross premiums written		56,139,057	64,602,696	89,550,151	202,852,834
Reinsurance share of direct business premium		(20,538,888)	(26,362,943)	(28,905,919)	(38,349,624)
Net premium		35,600,169	38,239,753	60,644,232	164,503,210
Change in unearned premium provision		(8,100,861)	12,296,380	33,167,097	(30,530,620)
Net premium earned		27,499,308	50,536,133	93,811,329	133,972,590
Commission expenses - net		(3,932,755)	(2,868,743)	(11,428,424)	(8,685,215)
Commission income		1,726,581	484,806	3,125,725	2,058,167
Gross underwriting income		25,293,134	48,152,196	85,508,630	127,345,542
Gross claims paid		(35,929,350)	(56,144,803)	(158,085,207)	(141,587,636)
Reinsurance share of insurance claims		4,623,382	13,150,592	35,398,727	35,058,356
Net claims paid		(31,305,968)	(42,994,211)	(122,686,480)	(106,529,280)
Change in claims under settlement reserve		8,178,153	(9,000,644)	33,126,116	(30,986,644)
Change in reinsurance share for claims under settlement reserve		(2,952,690)	13,024,761	(20,730,542)	20,354,761
Change in claims incurred but not reported reserve		(3,524,581)	(9,812,304)	(3,416,341)	(15,567,304)
Change in reinsurance share for claims incurred but not reported reserve		1,833,191	6,869,540	1,021,608	5,507,540
Change in unallocated loss adjustment expense reserve		16,934	(429,444)	383,373	(296,444)
Change in unexpired risk reserve		(5,183,647)	4,573,061	(2,938,398)	5,708,061
Change in reinsurance share of unexpired risk reserve		286,670	-	(3,095,798)	-
Net claims incurred		(32,651,938)	(37,769,241)	(118,336,462)	(121,809,310)
Operating expenses		(5,946,058)	(12,129,355)	(24,470,382)	(30,281,947)
Net underwriting loss		(13,304,862)	(1,746,400)	(57,298,214)	(24,745,715)
Net loss from investments	17	(7,577,621)	(11,209,965)	(43,023,246)	(1,407,614)
(Loss)/Income from investment properties	18	2,234,154	2,324,296	(959,615)	3,090,282
Operating expenses		-	(1,179,895)	-	(3,540,160)
Finance costs		(2,476,468)	(6,655,253)	(7,492,588)	(19,341,265)
Other income		106,514	188,929	2,660,826	1,192,906
Loss for the period attributable to equity holders of the Company	20	(21,018,283)	(18,278,288)	(106,112,837)	(44,751,566)
Basic and diluted loss per share	21	(0.05)	(0.04)	(0.25)	(0.107)

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

Condensed consolidated statement of total comprehensive income (unaudited)
for the nine months period ended 30 September 2017

		3 months ended 30 September		9 months ended 30 September	
		2017	2016	**2017**	2016
	Note	**AED**	AED	**AED**	AED
Loss for the period		**(21,018,283)**	(18,278,288)	**(106,112,837)**	(44,751,566)
Other comprehensive loss:					
Items that will be reclassified subsequently to profit or loss:					
Net fair value loss on AFS investments	5	**750,699**	(2,860,474)	**(5,425,749)**	(4,166,293)
Total comprehensive loss for the period attributable to equity holders of the Company		**(20,267,584)**	(21,138,762)	**(111,538,586)**	(48,917,859)

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

Condensed consolidated statement of changes in equity for the nine months period ended 30 September 2017

	Share capital AED	Share premium AED	Legal reserve AED	Regulatory reserve AED	Investments revaluation and Revaluation reserves AED	Accumulated losses AED	Attributable to the equity holders of the Company AED
Balance at 1 January 2016 (audited)	420,000,000	1,788,422	62,145,349	60,103,225	42,494,668	(237,110,644)	349,421,020
Loss for the period	-	-	-	-	-	(44,751,566)	(44,751,566)
Other comprehensive loss	-	-	-	-	(4,166,293)	-	(4,166,293)
Total comprehensive loss	-	-	-	-	(4,166,293)	(44,751,566)	(48,917,859)
Transfer (note – 13)	-	-	-	(60,103,225)	-	60,103,225	-
Balance at 30 September 2016 (unaudited)	420,000,000	1,788,422	62,145,349	-	38,328,375	(221,758,985)	300,503,161
Balance at 1 January 2017 (audited)	420,000,000	1,788,422	62,145,349	-	31,627,083	(254,708,897)	260,851,957
Loss for the period	-	-	-	-	-	(106,112,837)	(106,112,837)
Other comprehensive loss	-	-	-	-	(5,425,749)	-	(5,425,749)
Total comprehensive loss	-	-	-	-	(5,425,749)	(106,112,837)	(111,538,586)
Balance at 30 September 2017 (unaudited)	**420,000,000**	**1,788,422**	**62,145,349**	-	**26,201,334**	**(360,821,734)**	**149,313,371**

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

Condensed consolidated statement of cash flows (unaudited) for the nine months period ended 30 September 2017

	Notes	9 months ended 30 September 2017 AED	2016 AED
Cash flows from operating activities			
Loss for the period		**(106,112,837)**	(44,751,566)
Adjustments for:			
Depreciation of property and equipment	20	**514,358**	460,020
Net fair value loss on investment properties	18	**8,314,000**	4,747,000
Net fair value loss on investments at FVTPL	17	**44,802,996**	13,152,466
Loss on disposal of investments at FVTPL		**2,021,860**	-
Net rental income from investment properties	18	**(7,354,385)**	(7,837,282)
Dividends from investments in securities	17	**(6,287,345)**	(12,862,673)
Interest income on term deposit	17	**(23,896)**	(22,990)
Finance costs		**7,492,588**	19,341,265
Gain on disposal of property, plant and equipment		**(72,254)**	(64,000)
Allowance for doubtful debts, net	8	**269,617**	1,332,290
Impairment of capital work in progress		-	5,145,916
Provision for employees' end of service benefit		**732,459**	631,971
Cash flow used in operating activities before movement in working capital		**(55,702,839)**	(20,727,583)
Net movement in deferred acquisition costs		**5,843,306**	(3,751,817)
Net movement in reinsurance share of technical provisions		**22,268,488**	(28,197,125)
Net movement in gross technical provisions		**(59,785,603)**	74,007,775
Net movement in unearned reinsurance commissions		**(855,680)**	658,642
Decrease in insurance and other receivables		**12,685,910**	3,738,392
Increase in insurance and other payables		**20,446,079**	10,794,502
Decrease in reinsurance deposit retained		**(512,816)**	(599,875)
Decrease in deferred income		**(3,307,170)**	(596,869)
Cash (used in)/generated from operating activities		**(58,920,325)**	35,326,042
Employees' end of service benefit paid		**(341,160)**	(87,218)
Finance cost paid		**(4,791,450)**	-
Net cash (used in)/generated from operating activities		**(64,052,935)**	35,238,824
Cash flows from investing activities			
Movement in term deposits with original maturity of greater than three months		**(28,826)**	(28,880)
Payments for acquisition of property and equipment		**(226,428)**	(486,013)
Dividends received		**6,287,345**	12,862,673
Interest income received		**23,896**	30,197
Net rental income received from investment properties		**7,354,385**	7,837,282
Proceeds from disposal of property and equipment		**77,498**	108,000
Proceeds from disposal of investments at FVTPL	5	**15,915,802**	-
Net cash generated from investing activities		**29,403,672**	20,323,259
Cash flows from financing activities			
Repayment of bank borrowing		**(10,060,816)**	(60,814)
Dividends paid		-	(1,260)
Net cash used in financing activities		**(10,060,816)**	(62,074)
Net (decrease)/increase in cash and cash equivalents		**(44,710,079)**	55,500,009
Cash and cash equivalents at beginning of the period		**55,649,026**	46,322,500
Cash and cash equivalents at end of the period	10	**10,938,947**	101,822,509

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

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2017

1 General information

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

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

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

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

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

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated interim financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

2.2 Standards and Interpretations in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28	1 January 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions	1 January 2018

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

2.2 Standards and Interpretations in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	Effective for annual periods <u>beginning on or after</u>
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2017 (continued)

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

2.2 Standards and Interpretations in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

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

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

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

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

2.2 Standards and Interpretations in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

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

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

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

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

Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 *Leases*	1 January 2019

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

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

2.2 Standards and Interpretations in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	1 January 2021

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 (2014), IFRS 15, IFRS 16 and IFRS 17, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 (2014) will be adopted in the consolidated financial statements for the annual period beginning 1 January 2018, IFRS 16 will be adopted in the consolidated financial statements for the annual period beginning 1 January 2019 and that IFRS 17 will be adopted in the consolidated financial statements for the annual period beginning 1 January 2021. The application of IFRS 15 and IFRS 9 (2014) may bave significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of revenue from contracts with customers and the Group's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases. The application of IFRS 17 may have significant impact on the amounts reported and disclosures made in respect of insurance contracts. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group concludes its detailed review.

3 Summary of significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

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

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

3 Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investment securities and investment properties have been disclosed in Notes 3.6 to 3.7 below.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective 1 January 2017.

These condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2016. In addition, results for the nine months ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

3.3 Going concern

a) During the reporting period, the Group reduced its underwriting activities in different lines of business until it concludes on corrective measures which will be based on technical recommendations suggested by an external consultant. 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 assets amounting to AED 15 million by the end of January 2018.

b) The Financial Regulations for Insurance Companies (the "Regulations") issued by the IA sets specified limits for assets distribution and allocation. Holding inadmissible investments or non-compliance with the set limits affects the Group's ability to meet the Regulations' solvency requirements. The deadlines for compliance with the Regulations requirements vary between end of January 2017 and end of January 2018. Compliance with these requirements requires significant restructuring of the Group's investments portfolio based on different milestones within the current year, with full implementation not later than end of January 2018.

   The Group will be in non-compliance with the Regulations requirements if it does not prepare and execute a Corrective Plan in respect of restructuring its investments portfolio on a timely manner which might result in further actions taken by the IA that might affect the Group operations.

c) The Group incurred a loss of AED 106.1 million, its cash flows used in operating activities amounted to AED 64.1 million for the nine-month period ended 30 September 2017 and its accumulated losses exceeded 50% of its share capital as of 30 September 2017.

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2017 (continued)

3 Summary of significant accounting policies (continued)

3.3 Going concern (continued)

d) As discussed in note 16, subsequent to the period end, the Group has defaulted in repayment of one of its loan installment. The total amount of the outstanding loan is AED 197.3 million including interest. As per one of the covenants 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 value of the property provided as security in respect of this loan, amounts to AED 141.1 million which is lower than the repayable amount. As of the date of these financial statements, the Group has been unable to conclude renegotiations or obtain replacement financing.

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.

- The Group appointed a Consultant to conduct a full business review covering underwriting, claims, reinsurance, investments, IT reporting, internal audit and risk management, finance and corporate governance areas and to provide a report on the summary of key areas of concern and corrective action to support the Group's preparation of its Corrective Plan. In its previous assessment of going concern, Management was expecting to submit the detailed Corrective Plan to the Insurance Authority by the end of June 2017. However, this has not been completed till the date of issuance of these financial statements. At the end of the current reporting period, the Consultant has submitted the draft business plan and this is currently under Board discussion and approval. Management obtained an extension from Insurance Authority till August 2017 for the submission of the Corrective Plan; however, the extended period lapsed without the submission of the plan by the Group. The Group will be submitting the plan to Insurance Authority following the Board approval.

- Management will reassess, based on the finalised Consultant report, 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. In its previous assessments, Management was expecting to dispose investment assets amounting to AED 25 million in August 2017 and other assets amounting to AED 20 million by September 2017 in order to meet the Group's short term financial obligations including loan repayments due in October 2017 and April 2018. However, only assets worth AED 28.9 million have been disposed as of the date of issuance of these financial statements and the Group has defaulted on the repayment of the loan instalment in October 2017.

- On 30 April 2017, 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.

3 Summary of significant accounting policies (continued)

3.3 Going concern (continued)

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and therefore that it may be unable to realise 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 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 condensed consolidated financial statements.

In the absence of the Group's ability to achieve management's planned measures, the going concern basis would be invalid and adjustments would have to be made to reduce the values of the assets as presented in the condensed 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.

3.4 Estimates

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

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies, and the key sources of estimates uncertainty were the same as those were applied to the consolidated financial statements as at and for the year ended 31 December 2016.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2017 (continued)

3 Summary of significant accounting policies (continued)

3.5 Basis of consolidation

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

Name of subsidiary	Proportion of ownership		Country of incorporation	Principal activities
	30 September 2017	31 December 2016		
The Best Tenants LLC ***	**99%**	99%	UAE	To market, promote and deliver property management and advisory services.
Real Estate Academy Est. (Al Akarya Academy) **	**100%**	100%	UAE	To market, promote and delivery management and advisory services in respect of real estate.
Al Khazna Real Estate Est. *	**100%**	100%	UAE	To market, promote and deliver management and advisory services in respect of real estate.
Modern Academy Administrative Training LLC *	**100%**	100%	UAE	To provide business management training.
IT Academy LLC *	**100%**	100%	UAE	To provide business management training.
Real Estate Academy for Training LLC *	**100%**	100%	UAE	To provide business management training.
Academy of Tourism and Holidays LLC *	**100%**	100%	UAE	To provide training in the field of travel, tourism and hotel management.
First Deal Real Estate LLC ***	**100%**	100%	UAE	To manage investments in real estate.
Academy for Investment Est. *	**100%**	100%	UAE	To manage investments in real estate.
Under Writing Electronics Solutions Est. *	**100%**	100%	UAE	Data formatting, computer system and instruments filling services.
Tadawel Electronics Solutions Est. *	**100%**	100%	UAE	Software consultancy, storing and retrieving data.
Tel Fast Recruitment Agencies LLC *	**99%**	99%	UAE	Employment services – recruitment
Tel Fast Manpower Supply LLC *	**99%**	99%	UAE	Labourers supply services.

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

The ownership is held by the Company and its subsidiaries.

3 Summary of significant accounting policies (continued)

3.6 Investments in securities

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

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

A financial asset is classified as held for trading if:

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

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

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

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

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

3.6.2 Available for sale (AFS) investments

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

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

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

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2017 (continued)

3 Summary of significant accounting policies (continued)

3.6 Investments in securities (continued)

3.6.2 Available for sale (AFS) investments (continued)

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

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

3.7 Investment properties

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

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

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

4 Investment properties

Investment properties represent the fair value of plots of lands with a total value of AED 154.1 million (31 December 2016: AED 154.9 million) and buildings with a value of AED 160.4 million (31 December 2016: AED 167.9 million) owned by the Group in Abu Dhabi, Al Ain and Mussaffah.

The fair value of the investment properties as of 30 June 2017 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. Management believes that there is no major change in the key assumptions used in the valuations performed as at 30 June 2017 and accordingly, there is no material change in the fair value of the investment properties as at 30 September 2017 compared to 30 June 2017.

The fair values of plots of land were arrived at by reference to market comparable approach, whereas for buildings the fair value was arrived at by combination of market comparable approach and income capitalisation approach. In estimating the fair value of the properties, the highest and best use of the property is considered as their current use. The inputs used in the valuation are not based on observable market data and thus the valuation techniques were considered to be Level 3 valuation.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2017 (continued)

4 Investment properties (continued)

A building with a carrying value of AED 141.9 million (31 December 2016: AED 148.95 million) is mortgaged in favour of First Abu Dhabi Bank against the bank loan (note 16).

Included within investment properties are two plots of land with a carrying value of AED 87.3 million (31 December 2016: AED 87.3 million) for which the titles were not transferred to the name of the Group, pending the settlement of the last installments which are linked to the completion of the development works on these plots.

Also included in the investment properties is a plot of land valued at AED 9.1 million (31 December 2016: AED 9.1 million) registered in the name of previous directors who assigned full beneficial rights of the plot to the Group.

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

	3 months ended 30 September		9 months ended 30 September	
	2017	2016	**2017**	2016
	AED	AED	**AED**	AED
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Rental income	**2,724,117**	2,842,004	**8,507,156**	8,829,998
Direct operating expenses	**(489,963)**	(517,708)	**(1,152,771)**	(992,716)
Net income from investment properties	**2,234,154**	2,324,296	**7,354,385**	7,837,282

5 Investments in securities

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
AFS investments		
Quoted UAE equity securities	**10,714,171**	11,034,788
Unquoted UAE equity securities	**48,796,113**	53,901,245
	59,510,284	64,936,033

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2017 (continued)

5 Investments in securities (continoed)

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Investments designated at FVTPL		
Quoted UAE securities	**100,580,770**	122,780,074
Unquoted UAE equity securities	**487,500**	487,500
Unquoted foreign equity securities	**4,657,791**	45,199,145
	105,726,061	168,466,719

The movement in the investments in securities is as follows:

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
AFS investments		
Fair value at 1 January	**64,936,033**	75,803,618
Decrease in fair value taken to other comprehensive income	**(5,425,749)**	(10,867,585)
Fair value at the end of the reporting period/year	**59,510,284**	64,936,033
Investments at FVTPL		
Fair value at 1 January	**168,466,719**	187,250,824
Proceeds from disposal	**(15,915,802)**	-
Realised loss on disposal	**(2,021,860)**	-
Decrease in fair value taken to profit or loss	**(44,802,996)**	(18,784,105)
Fair value at the end of the reporting period/year	**105,726,061**	168,466,719

The geographical distribution of investments is as follows:

Within UAE	**160,578,554**	188,203,607
Outside UAE	**4,657,791**	45,199,145
	165,236,345	233,402,752

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2017 (continued)

5 Investments in securities (continued)

The Group's investments include:

- An investment in Sanad Cooperative Insurance Company ("Sanad"), classified as "fair value through profit or loss" (FVTPL) amounting to AED 4.1 million (31 December 2016: AED 45 million). Sanad's shares have been delisted on 11 May 2017, following suspension of trading of these shares on the stock exchange since September 2014. The value recorded as of 30 September 2017 in the condensed consolidated financial statements is based on Sanad's net asset value using 31 December 2016 financial information (on which the external auditor included a disclaimer of opinion) with a 20% marketability discount applied by the external valuer.

- Investments classified as "available-for-sale" (AFS) which are measured at their fair value of AED 43.64 million, which is based on 2016 financial information as current information is absent.

6 Statutory deposit

In accordance with the requirements of UAE Federal Law No.6/2007 covering insurance companies and agencies, the Company maintains a bank deposit of AED 10,000,000 (31 December 2016: AED 10,000,000) which cannot be utilised without the consent of the UAE Insurance Authority.

7 Technical provisions

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Gross technical reserves		
- Unearned premiums reserve	**68,609,491**	101,240,344
- Claims under settlement reserve	**88,950,496**	122,076,612
- Claims incurred but not reported reserve	**37,081,014**	33,664,673
- Unallocated loss adjustment expense reserve	**2,446,688**	2,830,061
- Unexpired risk reserve	**14,812,171**	11,873,773
	211,899,860	271,685,463
Reinsurance share of technical reserves		
- Unearned premiums reserve	**20,310,733**	19,774,489
- Claims under settlement reserve	**64,712,537**	85,443,079
- Claims incurred but not reported reserve	**13,404,538**	12,382,930
- Unexpired risk reserve	**747,177**	3,842,975
	99,174,985	121,443,473

Notes to the condensed consolidated financial statements
for the nine months period ended 30 Septemher 2017 (continued)

7 Technical provisions (continued)

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Net technical reserves		
- Unearned premiums reserve	**48,298,758**	81,465,855
- Claims reported unsettled reserve	**24,237,959**	36,633,533
- Claims incurred but not reported reserve	**23,676,476**	21,281,743
- Unallocated loss adjustment expense reserve	**2,446,688**	2,830,061
- Unexpired risk reserve	**14,064,994**	8,030,798
	112,724,875	150,241,990

8 Insurance receivables

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Due from policyholders	**66,861,455**	61,959,772
Due from agents, brokers and intermediaries	**15,944,131**	35,247,662
Due from reinsurance companies	**25,180,872**	20,173,491
	107,986,458	117,380,925
Less: provision for impairment of receivables	**(18,104,488)**	(17,834,871)
	89,881,970	99,546,054

Due from policyholders include an amount of AED 2.8 million (31 December 2016: AED 2.6 million) receivable from related parties (note 19).

As at 30 September 2017, insurance receivables with a carrying value of AED 18.1 million (31 December 2016: AED 17.8 million) were impaired and fully provided.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2017 (continued)

8 Insurance receivables (continued)

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

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
At the beginning of the period/year	**17,834,871**	16,576,725
Provision for the period/year	**723,449**	1,928,056
Release of provision	**(453,832)**	(669,910)
At the end of the period/year	**18,104,488**	17,834,871

9 Other receivables and prepayments

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Deposits and other receivables	**14,331,813**	15,457,295
Less: provision for impairment of other receivables	**(8,138,452)**	(8,138,452)
	6,193,361	7,318,843
Rent receivables	**3,763,325**	6,666,830
Prepayments	**2,443,255**	1,705,711
	12,399,941	15,691,384

Deposits and other receivables include an amount of AED 1.2 million (31 December 2016: AED 2.3 million) relating to security deposit for tender bonds.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2017 (continued)

10 Cash and cash equivalents

	9 months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	AED	AED
Term deposits	**1,858,633**	1,829,807
Cash and bank balances	**10,938,947**	101,822,509
Less: Term deposits with original maturity of more than three months	**(1,858,663)**	(1,829,807)
Cash and cash equivalents	**10,938,947**	101,822,509

11 Share capital

	30 September	31 December
	2017	2016
	(unaudited)	(audited)
	AED	AED
Authorised:		
420,000,000 shares of AED 1 each	**420,000,000**	420,000,000
Allotted, issued and fully paid:		
420,000,000 shares of AED 1 each	**420,000,000**	420,000,000

12 Legal reserve

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

13 Regulatory reserve

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

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

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2017 (continued)

14 Insurance payables

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Payable to policyholders	**63,818,900**	36,389,075
Payable to insurance companies	**22,976,052**	26,387,727
Payable to brokers/agents	**18,801,242**	21,035,857
	105,596,194	83,812,659

15 Other payables

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Dividends payable	**18,038,088**	18,041,263
Accruals and other payables	**15,779,787**	14,412,930
	33,817,875	32,454,193

16 Bank borrowings

	Current AED	Non-current AED	Total AED
As at 30 September 2017 (unaudited)			
Term loan 1	**25,000,000**	**169,940,000**	**194,940,000**
Term loan 2	**81,084**	**13,505**	**94,589**
	25,081,084	**169,953,505**	**195,034,589**
As at 31 December 2016 (audited)			
Term loan 1	20,000,000	184,940,000	204,940,000
Term loan 2	81,084	74,321	155,405
	20,081,084	185,014,321	205,095,405

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2017 (continued)

16 Bank borrowings (continued)

Term loan 1:
Term loan 1 from First Abu Dhabi Bank represents a restructured agreement with the Bank to restructure the Group's previous loan to a total amount of AED 227.1 million (net of a forgiven amount of AED 39.4 million, which is subject to terms and conditions) as full and final settlement of the previous loans. 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 22.760 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. In case of default, the forgiven amount will become immediately payable together with all the interest thereon.

The Group has provided First Abu Dhabi Bank with a primary mortgage over AKIC Tower, classified under the investment properties, fair valued at AED 141.9 million (31 December 2016: AED 149 million).

Subsequent to the period end, the Group has defaulted in repayment of one of its loan installments. 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. As of the date of this report, the Group has been unable to conclude renegotiations or obtain replacement financing. Only partial settlement of the past due loan payment amounting to AED 5.7 million has been made as of the date of the issuance of these financial statements.

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.

17 Net loss from investments

	3 months ended 30 September		9 months ended 30 September	
	2017 (unaudited) AED	2016 (unaudited) AED	**2017 (unaudited) AED**	2016 (unaudited) AED
Net fair value loss on investments at FVTPL	**(3,364,553)**	(11,158,048)	**(44,802,996)**	(13,152,468)
Loss from disposal of investments at FVTPL	**(2,021,860)**	-	**(2,021,860)**	-
Dividends from investments in securities	**72,382**	502,254	**6,287,345**	12,862,673
Interest on term deposits	**8,337**	7,669	**23,896**	22,990
Other investment loss – net	**(2,271,927)**	(561,840)	**(2,509,631)**	(1,140,809)
Net loss from investments	**(7,577,621)**	(11,209,965)	**(43,023,246)**	(1,407,614)

18 (Loss)/income from investment properties

	3 months ended 30 September		9 months ended 30 September	
	2017 (unaudited) AED	2016 (unaudited) AED	**2017 (unaudited) AED**	2016 (unaudited) AED
Net income from investment properties (note 4)	**2,234,154**	2,324,296	**7,354,385**	7,837,282
Net fair value loss on investment properties	**-**	-	**(8,314,000)**	(4,747,000)
	2,234,154	2,324,296	**(959,615)**	3,090,282

19 Related parties

Related parties comprise the major Shareholders, Directors and key management personnel of the Group and those entities in which they have the ability to control or exercise significant influence in financial and operation decisions.

Directors are expected to avoid any action, position or interest that conflict with an interest of the Company. Details of all transactions in which a Director and/or related parties might have actual or potential conflicts are provided to the Board of Directors for their review and approval. When a potential conflict of interest arises, Directors concerned neither participates in the discussions nor exercise any influence over other members of the Board. If a major shareholder or a Director has any conflict of interests with any matter to be considered by the Board of Director and the Board of Directors determines that such a matter is significant, the decision thereon by the Board of Directors shall be made in the presence of all Directors and in the absence of the interested Director's vote.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, being the directors, managing director and his direct reports.

The Group maintains significant balances with these related parties which arise from commercial transactions as follows:

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Due from policyholders (note 8)	**2,817,767**	2,567,165
Other receivables	**3,359,041**	3,445,941
Due to policyholders	**10,197,458**	8,315

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2017 (continued)

19 Related parties (continued)

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

	3 months ended 30 September		9 months ended 30 September	
	2017 (unaudited) AED	2016 (unaudited) AED	**2017 (unaudited) AED**	2016 (unaudited) AED
Net premiums written	**150,682**	280,995	**260,443**	6,322,034
Claims paid	**4,766,467**	6,331,510	**7,912,544**	6,474,208
Remuneration of key management personnel	**1,918,359**	1,820,279	**6,258,457**	5,917,177

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

20 Loss for the period

Loss for the period is arrived after charging the following:

	3 months ended 30 September		9 months ended 30 September	
	2017 (unaudited) AED	2016 (unaudited) AED	**2017 (unaudited) AED**	2016 (unaudited) AED
Staff costs	**5,597,272**	5,189,156	**18,222,569**	17,174,582
Depreciation on property and equipment	**171,357**	126,900	**514,358**	460,020
Impairment of capital work in progress	-	5,145,916	-	5,145,916

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2017 (continued)

21 Basic and diluted loss per share

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

	3 months ended 30 September		9 months ended 30 September	
	2017 (unaudited)	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Loss for the period (AED)	**(21,018,283)**	(18,278,288)	**(106,112,837)**	(44,751,566)
Weighted number of ordinary shares in issue throughout the period	**420,000,000**	420,000,000	**420,000,000**	420,000,000
Basic and diluted loss per share (AED)	**(0.05)**	(0.04)	**(0.25)**	(0.11)

As of 30 September 2017 and 2016, the Group has not issued any instruments that have an impact on earnings per share when exercised and accordingly diluted earnings per share are the same as basic earnings per share.

22 Seasonality of results

No income of seasonal nature was recorded in the statement of profit or loss for the nine months period ended 30 September 2017 and 2016.

23 Contingent liabilities and commitments

Commitments

The Group has a commitment to pay AED 9.2 million (31 December 2016: AED 9.2 million) for a flat in a property under development in Dubai.

Contingent liabilities

At 30 September 2017, the Group had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 1.2 million (31 December 2016: AED 2.3 million).

Other legal proceedings

The Group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2017 (continued)

24 Segment information

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

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

Primary segment information - business segment

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

	9 months ended 30 September (unaudited)					
	Underwriting		Investments		Total	
	2017 AED	2016 AED	2017 AED	2016 AED	2017 AED	2016 AED
Segment revenue	**92,675,876**	204,911,001	**(43,982,860)**	1,682,668	**48,693,016**	206,593,669
Segment result	**(57,298,214)**	(24,745,715)	**(43,982,861)**	(1,857,492)	**(101,281,075)**	(26,603,207)
Unallocated expenses					**(4,831,762)**	(18,148,359)
Loss for the period					**(106,112,837)**	(44,751,566)

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

	Underwriting		Investments		Total	
	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Segment assets	**205,966,602**	247,327,097	**491,579,978**	568,031,559	**697,546,580**	815,358,656
Unallocated assets					**10,938,947**	55,649,026
Total assets					**708,485,527**	871,007,682
Segment liabilities	**341,718,956**	379,331,363	**199,415,112**	212,783,098	**541,134,068**	592,114,461
Unallocated liabilities					**18,038,088**	18,041,264
Total liabilities					**559,172,156**	610,155,725

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

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2017 (continued)

24 Segment information (continued)

Secondary segment information - revenue from underwriting departments

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

	3 months ended 30 September		9 months ended 30 September	
	2017 (unaudited) AED	2016 (unaudited) AED	**2017 (unaudited) AED**	2016 (unaudited) AED
Motor	**7,622,819**	24,627,962	**18,006,887**	84,550,491
Engineering	**2,977,385**	2,432,069	**4,142,248**	3,994,438
Fire and General Accidents	**18,122,571**	21,290,138	**23,067,279**	27,450,609
Marine and Aviation	**442,213**	(300,130)	**1,316,994**	990,539
Employee Benefits, Medical and Personal Assurance	**28,726,804**	17,037,463	**46,142,470**	87,924,924
	57,891,792	65,087,502	**92,675,876**	204,911,001

25 Fair value of financial instruments

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

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

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

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2017 (continued)

25 Fair value of financial instruments (continued)

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy:

30 September 2017 (unaudited)	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
ASSETS MEASURED AT FAIR VALUE				
At fair value through profit or loss				
Quoted equity securities	**100,580,770**	-	-	**100,580,770**
Unquoted equity securities	-	-	**5,145,791**	**5,145,791**
	100,580,770	-	**5,145,791**	**105,726,061**
AFS financial assets				
Quoted equity securities	**10,714,171**	-	-	**10,714,171**
Unquoted equity securities	-	-	**48,796,113**	**48,796,113**
	10,714,171	-	**48,796,113**	**59,510,284**

31 December 2016 (audited)	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
ASSETS MEASURED AT FAIR VALUE				
At fair value through profit or loss				
Quoted equity securities	122,780,074	-	-	122,780,074
Unquoted equity securities	-	-	1,134,095	1,134,095
Listed but suspended equity securities	-	-	44,552,550	44,552,550
	122,780,074	-	45,686,645	168,466,719
AFS financial assets				
Quoted equity securities	11,034,788	-	-	11,034,788
Unquoted equity securities	-	-	53,901,245	53,901,245
	11,034,788	-	53,901,245	64,936,033

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2017 (continued)

25 Fair value of financial instruments (continued)

Reconciliation of level 3 fair value measurements

	30 September 2017 (unaudited) AED	31 December 2016 (audited) AED
Opening balance	**99,587,890**	115,728,596
Transfer out of level 3	-	(5,530,980)
Decrease in fair value	**(45,645,986)**	(10,609,726)
Closing balance	**53,941,904**	99,587,890

During the period, there was no transfer from level 3 to level 1 fair value measurement (31 December 2016: one transfer). There is no transfer in level 2 fair value measurement (31 December 2016: none).

26 Events subsequent to the reporting period

Subsequent to the period end, the Group has defaulted in repayment of one of its loan installments. The total amount of the outstanding loan is AED 197.3 million including interest. As per one of the covenants of the loan agreement the whole amount of the outstanding loan becomes immediately payable along with a previously forgiven amount of AED 39.4 million (plus interest) in the event of default of any repayment. However, the bank has not yet enforced the terms of the agreement as of the date of this report. Only partial settlement of the past due loan payment amounting to AED 5.7 million has been made as of the date of the issuance of these financial statements.

27 Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 10 January 2018