

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

REVIEW REPORT AND CONSOLIDATED INTERIM  
FINANCIAL INFORMATION FOR THE PERIOD  
FROM 1 JANUARY 2019 TO 30 SEPTEMBER 2019

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

I N D E X

	<u>Exhibit</u>	<u>Page</u>
Board of Director's Report	-	2
Report on review of consolidated interim financial information	-	3 - 5
Consolidated interim statement of financial position as at 30 September 2019	A	6
Consolidated interim statement of profit or loss for the period from 1 January 2019 to 30 September 2019	B	7 - 8
Consolidated interim statement of Other comprehensive income for the period from 1 January 2019 to 30 September 2019	B	9
Consolidated interim statement of changes in equity for the period from 1 January 2019 to 30 September 2019	C	10
Consolidated interim statement of cash flows for the period from 1 January 2019 to September 2019	D	11 - 12
	<u>Notes</u>	
Notes to consolidated interim financial statements	1 - 24	13 - 43

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

### **Report of the Board of Directors**

**For the nine months period ended on 30 September 2019**

The Board of Directors of Al Khazna Insurance Company P.S.C. is pleased to submit its third quarterly report of 2019 together with the interim financial information for the nine-month period ended on 30 September 2019.

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

- The Gross Written Premium showing AED 95,665 for the nine months period ended on 30 September 2019. Drop in Gross Written Premium is due to the restriction over issuance of Insurance policies from the Insurance Authority. Currently company has got the license renewed and started the procedures to writing the premium.
- The underwriting loss for the period ended 30th September 2019 is AED 12 million in comparison with loss of AED 11.4 million for the nine months period ended on 30 September 2018.
- The net investment results for the period registered a gain of AED 24.5 million for the nine months Period ended on 30 September 2019 compared AED 9.4 million gains for the nine months period ended on 30 September 2018.
- The net profit for the nine months' period ended on 30 September 2019 is AED 3.7 million compared to a loss of AED 9.4 million for the nine months period ended on 30 September 2018.
- The total assets of the Group stood at AED 471.4 million as of 30 September 2019 against AED 548.2 million as of 31 December 2018.
- The total capital and reserves attributable to the Company's equity holders are AED 91.7 million as of 30 September 2019 against AED 105.2 million on 31 December 2018.
- Furthermore the shareholders of AKIC have approved the capital restructuring measures during the last AGM to reduce the accumulated losses. The Board of Directors and the Management of the company are continuing the strict measures for restructuring the investment and streamlining the operations of the group.

  
Director

## REPORT ON REVIEW AND INTERIM FINANCIAL INFORMATION

### The Shareholders'

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

### Introduction

We have reviewed the accompanying consolidated interim financial statements of Al Khazna Insurance Company P.S.C, as at 30 September 2019 which comprise the consolidated interim statement of financial position as at 30 September 2019 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 2019 to 30 September 2019 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 cash flows used in operating activities amounting to AED 63,063,692 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 year 2019.
- We were not provided with documentation related to these assumptions to support the appropriateness of the consolidated interim financial statements being prepared using the going concern basis of accounting. Consequently, we were unable to confirm or dispel whether it is appropriate to prepare the consolidated interim financial statements using the going concern basis of accounting.
- During the period the Group has incurred penalties from the Federal Tax Authority amounting to AED 6,106,635 due to not submitting payments of due taxes, while total penalties as of the date of the report were AED 15,507,224.

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

- The consolidated interim financial statements includes the assets, liabilities and operating result for the subsidiaries company in which it has not audited by independent auditor and we can not satisfy our self by other audit procedure if the operating result of these subsidiaries will materially effect the consolidated interim financial statements.
- We would like to draw attention to Note 6 of consolidated interim financial statements in which the group's investment properties include two plots of land with a carrying value of AED 89.5 million as of 30 September 2019 (31 December 2018 : AED 90.4 million) for which the master developer did not transfer the titles to the name of the group, pending the settlement of title's transfers fees. We were unable to determine whether any adjustments to this amount were necessary.
- With refer to Note 7 (b) to the consolidated interim financial statement that provide details of the Group's investment designated through other comprehensive income and investments designated through profit and loss amounting to AED 9,446,329 and AED 38,977,120 respectively in which shares were frozen by Abu Dhabi court for urgent matters.
- We did not receive confirmation for the ownership of the shares in Al Firdouse amounting to AED 42,000 Note 7 (b) registered in the name of Pearl Capital .
- We would like to draw attention to Note 9 &18 of the consolidated interim financial statements in which the group written back an amount of AED 10,183,873 from provision for impairment of receivables to other income. we did not receive sufficient and appropriate audit evidence for the written back of provision and the collectability of the related amount.



**REPORT ON REVIEW AND INTERIM FINANCIAL INFORMATION (continued)**

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

***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 consolidated interim financial information accordingly, we do not express a conclusion on this consolidated interim financial information.

**Talal Abu Ghazaleh & Co. International**

**Firas Kilani**

Licensed Auditor No. 632

Abu Dhabi

30 October 2019



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

**EXHIBIT A**

**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2019**

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

	<u>NOTE</u>	<u>30 September 2019</u> <u>(Unaudited)</u>	<u>31 December 2018</u> <u>(Audited)</u>
<b><u>ASSETS</u></b>			
Property and equipment	5	770,432	1,075,850
Investments properties	6	296,630,265	296,942,860
Investments designated at fair value through other comprehensive income (FVTOCI)	7 (a)	9,446,329	39,110,469
Investments designated at fair value through profit and loss (FVTPL)	7 (b)	39,055,175	66,424,481
Statutory deposit	8	10,102,133	10,000,000
Premium and insurance balances receivables	9	51,080,570	56,608,917
Reinsurance contract assets	10	45,913,341	55,386,108
Other receivable and prepayments	11	11,901,540	13,285,441
Differed acquisition cost		37,956	294,655
Cash and cash equivalents	12	6,436,601	9,139,235
<b>TOTAL ASSETS</b>		<b><u>471,374,342</u></b>	<b><u>548,268,016</u></b>

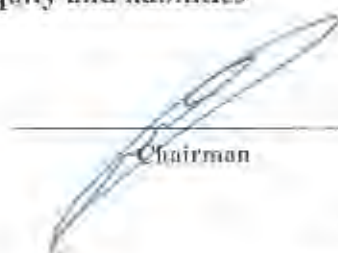
**EQUITY AND LIABILITIES**

**EQUITY ATTRIBUTABLE TO SHAREHOLDERS' OF THE PARENT**

Share premium		1,788,422	1,788,422
Accumulated (losses)		(393,714,366)	(397,411,023)
Issued and paid up share capital	13	420,000,000	420,000,000
Fair value reserve		1,452,070	18,712,135
Statutory reserve		62,145,349	62,145,349
<b>Net equity - Exhibit C</b>		<b><u>91,671,475</u></b>	<b><u>105,234,883</u></b>

**LIABILITIES**

Borrowings from banks	14	190,224,333	187,167,259
End of service benefits obligation		7,208,341	6,849,506
Technical provisions	15	46,540,918	90,223,997
Insurance and other payables	16	132,397,845	153,227,956
Reinsurance deposit retained		89,333	573,002
Unearned reinsurance commission		52,955	499,861
Differed income		3,189,142	4,491,552
<b>Total liabilities</b>		<b><u>379,702,867</u></b>	<b><u>443,033,133</u></b>
<b>Total equity and liabilities</b>		<b><u>471,374,342</u></b>	<b><u>548,268,016</u></b>

  
Chairman

  
Head of Finance

  
Director

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

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

**EXHIBIT B**

**CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS**  
**FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 SEPTEMBER 2019**

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

	NOTE	3 Months ended 30 September		9 Months ended 30 September	
		30 September 2019 (Unaudited)	30 September 2018 (Unaudited)	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)
Gross premium	21(4)	49,270	(77,534)	95,665	39,153,799
Reinsurance share of ceded business premiums		121,498	(1,898,551)	(1,799,538)	(9,795,683)
<b>Net premium</b>		<b>170,768</b>	<b>(1,976,085)</b>	<b>(1,703,873)</b>	<b>29,358,116</b>
Change in Unearned premium provision		237,540	13,666,107	9,528,310	15,418,200
<b>Net premium earned</b>		<b>408,308</b>	<b>11,690,022</b>	<b>7,824,437</b>	<b>44,776,316</b>
Commissions earned	31(4)	132,135	472,001	473,271	873,208
Commissions paid		(20,110)	(921,617)	(335,864)	(5,048,140)
<b>Gross underwriting income</b>		<b>520,333</b>	<b>11,240,406</b>	<b>7,961,844</b>	<b>40,601,384</b>
Gross claims paid		(5,687,570)	(12,834,953)	(27,025,338)	(59,259,233)
Reinsurance share of insurance claims		3,615,206	4,298,298	9,849,124	17,202,394
<b>Net claims paid</b>		<b>(2,072,364)</b>	<b>(8,536,655)</b>	<b>(17,176,214)</b>	<b>(42,056,839)</b>
Change in claims under settlement reserve		6,076,938	2,980,197	17,570,572	15,806,469
Change in reinsurance share for claims under settlement reserve		(4,501,019)	(2,489,739)	(7,578,903)	(9,674,831)
Change in claims incurred but not reported reserve		1,222,872	5,238,319	5,961,029	20,873,892
Change in insurance share for claims incurred but not reported reserve		(1,327,835)	(4,564,310)	5,804,509	(13,299,503)
Change in unallocated loss adjustments expenses reserve		256,806	222,120	1,038,809	(1,057,607)
Change in unexpired risk reserve		—	4,282,053	1,885,986	6,305,677
Change in reinsurance share of unexpired reserve		—	—	—	(467,494)
<b>Net claims incurred</b>		<b>(344,602)</b>	<b>(2,868,015)</b>	<b>7,505,788</b>	<b>(23,870,236)</b>

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



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

**CONT. EXHIBIT B**

**CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS**  
**FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 SEPTEMBER 2019**

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

	NOTE	3 Months ended 30 September		9 Months ended 30 September	
		30 September 2019 (Unaudited)	30 September 2018 (Unaudited)	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)
Operating expenses	17	(7,194,484)	(11,675,861)	(27,562,587)	(28,425,225)
Net underwriting (loss)		(7,018,753)	(3,303,470)	(12,094,955)	(11,394,077)
Income from investments	18	7,461,581	(207,241)	24,562,486	9,141,000
Total profit / (loss)		442,828	(3,510,711)	12,467,531	(1,952,850)
Finance cost		(3,643,546)	(2,468,525)	(8,770,874)	(7,461,721)
Net (loss) / profit for the period - Exhibit D		(3,200,718)	(5,979,236)	3,696,657	(9,414,571)
(Loss) / profit per ordinary share	19	(0.0076)	(0.0142)	0.0088	(0.0224)

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

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

**EXHIBIT B**

**CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 SEPTEMBER 2019**

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

	<u>NOTE</u>	<u>For the period from</u> <u>1 January 2019 to</u> <u>30 September 2019</u> <u>(Unaudited)</u>	<u>For the period from</u> <u>1 January 2018 to</u> <u>30 September 2018</u> <u>(Unaudited)</u>
<b>Profit / (loss) for the period</b>		3,696,657	(9,012,571)
<b>Other comprehensive (loss):</b>			
Fair value (loss) on investments at FVTOCI release of evaluation reserve due to disposals of investments designated at FVTOCI	7 (b)	(45,640)	(3,156,141)
Other comprehensive (loss) for the period		<u>(17,214,425)</u>	<u>---</u>
<b>Total comprehensive (loss) for the period - Exhibit C</b>		<u>(13,563,408)</u>	<u>(3,156,141)</u>

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

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

EXHIBIT C

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE**  
**PERIOD FROM 1 JANUARY 2019 TO 30 SEPTEMBER 2019**  
**(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)**

	<u>Share Premium</u>	<u>Accumulated (losses) (restated)</u>	<u>Issued and paid up share capital</u>	<u>Fair value and revaluation reserve (restated)</u>	<u>Statutory reserve</u>	<u>Total</u>
Equity at 1 January 2018 - (restated) (Audited)	1,788,423	(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)
<b>Equity at 30 September 2018 - (Unaudited)</b>	<u>1,788,423</u>	<u>(404,644,506)</u>	<u>420,000,000</u>	<u>23,621,448</u>	<u>62,145,349</u>	<u>102,910,713</u>
Equity at 1 January 2019 - Exhibit A - (Audited)	1,788,423	(397,411,023)	420,000,000	18,712,135	62,145,349	105,234,883
Profit for the period - Exhibit B	—	3,696,657	—	—	—	3,696,657
Other comprehensive (loss) for the period - Exhibit B	—	—	—	(17,260,065)	—	(17,260,065)
<b>Equity at 30 September 2019 - Exhibit A (Unaudited)</b>	<u>1,788,423</u>	<u>(393,714,366)</u>	<u>420,000,000</u>	<u>1,452,070</u>	<u>62,145,349</u>	<u>91,671,475</u>

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

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

**EXHIBIT 11**

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE**  
**PERIOD FROM 1 JANUARY 2019 TO 30 SEPTEMBER 2019**

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

	<u>For the period from</u> <u>1 January 2019 to</u> <u>30 September 2019</u> <u>(Unaudited)</u>	<u>For the period from</u> <u>1 January 2018 to</u> <u>30 September 2018</u> <u>(Unaudited)</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Profit / (loss) for the period - Exhibit B	3,696,657	(9,414,571)
<b><u>Adjustment to reconcile net income to net cash provided by operating activities</u></b>		
Depreciation of property and equipment	354,870	429,362
Net fair value (gain) / loss on investment designated at FVTPL	(28,926,040)	20,668,007
Realized loss from sale investment designated at FVTOCI	(17,214,425)	---
Realized loss on investment designated at FVTPL	29,534,730	83,276
Net fair value loss / (gain) for revaluation of investment in properties	312,595	(12,191,360)
Net income from investment properties	(3,886,102)	(5,100,101)
Dividends from investments in securities	(5,951,447)	(7,607,940)
Interest income	(9,778)	(14,907)
Finance cost	8,770,874	7,461,721
Impairment for insurance receivables, net	(10,404,155)	(1,519,459)
End of service benefits obligation	358,835	401,211
Operating (loss) before working capital changes	<u>(23,363,386)</u>	<u>(6,804,761)</u>
<b><u>Changes in the components of working capital:</u></b>		
Decrease in deferred acquisition costs	256,699	1,998,724
Decrease in other reinsurance contract assets	9,472,767	37,422,589
(Decrease) in insurance contract liabilities	(43,683,079)	(71,327,391)
(Decrease) in unearned reinsurance commission	(446,906)	(309,986)
Decrease in premium and insurance receivables	15,932,502	10,480,885
Decrease / (increase) in other receivables and prepayments	1,383,901	(3,674,959)
(Decrease) / increase in insurance and other payables	(20,830,111)	5,373,975
(Decrease) in reinsurance deposit retained	(483,669)	(617,838)
(Decrease) / increase in deferred income	(1,302,410)	361,140
Net cash flows (used in) operating activities	<u>(63,063,692)</u>	<u>(27,097,622)</u>

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

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

**CONT. EXHIBIT D**

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE**  
**PERIOD FROM 1 JANUARY 2019 TO 30 SEPTEMBER 2019**

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

	<b><u>For the period from</u></b> <b><u>1 January 2019 to</u></b> <b><u>30 September 2019</u></b> <b><u>(Unaudited)</u></b>	<b><u>for the period from</u></b> <b><u>1 January 2018 to</u></b> <b><u>30 September 2018</u></b> <b><u>(Unaudited)</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Disposal of investments AVFS	29,618,500	8,750,915
Disposal of investments FVTPL	---	3,194,088
Disposal of investments properties	---	17,605,000
Decrease in deposits	---	1,858,633
Purchase of property and equipment	(49,452)	(84,316)
Dividends received	5,951,447	7,607,940
Net income from investment in properties	3,886,102	5,100,101
Interest income received	9,778	14,907
Proceed from sale of investments designated at FVTPL	16,760,616	---
<i>Net cash flows from investing activities</i>	<u>66,176,991</u>	<u>44,047,268</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES :</u></b>		
(Increase) in statutory deposit	(102,133)	---
Increase / (decrease) in borrowings from banks	3,057,074	(10,914,859)
Finance cost	(8,770,874)	(7,461,721)
<i>Net cash flows (used in) financing activities</i>	<u>(5,815,933)</u>	<u>(18,376,580)</u>
<b>NET CASH FLOWS (USED) / GENERATED DURING THE PERIOD</b>	<u>(2,702,634)</u>	<u>(1,426,934)</u>
Cash and cash equivalents at beginning of the period	9,139,235	13,451,566
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD - Note 12</b>	<u>6,436,601</u>	<u>12,024,632</u>

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

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

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

**1) STATUS AND ACTIVITIES**

- a) **Al Khazna Insurance Company P.S.C.** (the “Group”) is a public shareholding company. The Company are incorporated in the Emirate of Abu Dhabi by virtue of the Emiri Decree No. (4) dated 11 September 1996.
- The Company’s principal activity is the writing of general insurance and re-insurance business of all classes.
- b) The group operates through its head office in Abu Dhabi and branch offices in Dubai and Al Ain. The group is domiciled in the United Arab Emirates and its registered office address is P.O. Box 73343, Abu Dhabi, United Arab Emirates.
- c) The Company’s ordinary shares are listed on Abu Dhabi Securities Exchange.
- d) The consolidated interim financial statements of Al Khazna Insurance Company P.S.C. (the “Group”) for the period from 1 January 2019 to 30 September 2019 includes assets, liabilities and the result of operations of the following subsidiaries:

<b><u>Name of subsidiary</u></b>	<b><u>Proportion of ownership</u></b>	<b><u>Country of incorporation</u></b>	<b><u>Principal activities</u></b>
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.

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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

<u>Name of subsidiary</u>	<u>Proportion of ownership</u>	<u>Country of incorporation</u>	<u>Principal activities</u>
Academy of Tourism and Holidays LLC *	100%	UAE	To provide training in the field of travel, tourism and hotel management.
First Deal Real Estate LLC ***	100%	UAE	To manage investments in real estate.
Academy for Investment Est. *	100%	UAE	To manage investments in real estate.
Under Writing Electromes 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.

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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

---

**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 2019.

i. *IFRS 9 - Financial Instruments*

A final version of IFRS 9 has been issued which replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The completed standard comprises guidance on Classification and Measurement, Impairment, Hedge Accounting and Derecognition.

IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and its cash flow characteristics.

A new business model approach was introduced which allows certain financial assets to be categorized as “fair value through other comprehensive income” in certain circumstances.

The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

The new standard introduces a single “expected credit loss” impairment model for the measurement of financial assets.

IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

ii. *IFRS 15 - Revenue from Contracts with Customers*

IFRS 15 - *Revenue from contracts with customers* replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognized: 1) Identify contracts with customers; 2) Identify the separate performance obligation; 3) Determine the transaction price of the contract 4) Allocate the transaction price to each of the separate performance obligations, and 5) Recognize the revenue as each performance obligation is satisfied.



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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

*Key changes to current practice are:*

- Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognized if they are not at significant risk of reversal.
- The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few
- Increased disclosure requirements.

(iii) IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the group's interim financial statements.

(iv) IFRS 1 - First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

In improvements to IFRSs 2014- 2016 Cycle, the short-term exemptions were deleted because they have now served their intended purpose. These amendments do not have any impact on the group's interim financial statements.

- b) The following amendments to standards are effective for the current period but are irrelevant to the group's operations:
- Amendments to IAS 40 - Transfers of Investment Property,
  - Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts,
  - Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions,
  - IAS 28 - Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- improvements to IFRSs 2014- 2016 Cycle

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

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

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

	<u>Effective for annual periods beginning on or after</u>
IFRS 16 - Leases.	1 January 2019
IFRS 9 - Financial Instruments - amendments relating to pre-payable financial assets with negative compensation.	1 January 2019
IAS 19 - Employee Benefits - amendments relating to plan amendment, curtailment or settlement.	1 January 2019
IAS 28 - Investments in Associates and Joint Ventures - amendments relating to long term interests in associates and joint ventures.	1 January 2019
Amendments IFRIC 23 - Uncertainty over Income Tax Treatments.	1 January 2019
IFRS 3 - Business Combinations - amendments to definition of a business.	1 January 2020
IFRS 17 - Insurance contracts.	1 January 2021
Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture	Indefinite

**3. GOING CONCERN**

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

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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

---

- 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 requirements, the group is undergoing the suspensions of its operations from the insurance authorities.
  
- v) The Group cash flows used in operating activities amounted to AED 63,063,692 for the period ended 30 September 2019 and its accumulated losses exceeded 50% of its share capital as of 30 September 2019.
  
- Management considers that the above factors present significant challenges to the group in terms of meeting its operating and financing cash flow requirements in the foreseeable future. Whilst management has planned the below measures to overcome those circumstances, there are material uncertainties over future results and cash flows.
  
- Management will reassess, based on the corrective plan, its pricing and reinsurance strategy to improve the performance of the medical line of business and its pricing and expense loadings of the motor and other lines of business. Management is also developing and implementing a plan to review the overall expenses across all lines of business. Management has a reasonable expectation that this Corrective Plan will enable the Group to generate profits or to at least reduce its losses from operating activities significantly.

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

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

---

- 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 interim 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.

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

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

---

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 profit or loss. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the group over the estimated useful life of the assets as follows:

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

The depreciation charge for each period is recognized in the consolidated interim statement of profit or loss. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

---

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

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

*e. Impairment of tangible assets*

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

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

*f. Investment properties*

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

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

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

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

---

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

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

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

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

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

- h. *Impairment of financial assets*

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

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

In respect of financial assets designated at fair value through 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.

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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

---

i. *Financial assets*

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

i) *Cash and cash equivalents*

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

ii) *Insurance receivables*

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

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.

j. *Statutory reserve*

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



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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

---

k. *Financial liabilities*

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

l. *Borrowing costs*

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

m. *End of service benefits obligation*

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

n. *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 protect 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).

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

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

---

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

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

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

---

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

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

***Salvage and subrogation reimbursements***

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

***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.

***6. 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.

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

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

---

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

p. *Contingent liabilities*

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

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

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

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

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

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

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

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

---

i) *Liability adequacy test*

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

ii) *Impairment of Insurance receivables*

Management has estimated the recoverability of insurance receivables and has considered the impairment of insurance receivables, on the basis of prior experience and current economic situations.

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

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

**PROPERTY AND EQUIPMENT**

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

	<u>Office equipment and decoration</u>	<u>Computer equipment and accessories</u>	<u>Motors vehicles</u>	<u>Total</u>
<b><u>COST</u></b>				
At 1 January 2019 (Audited)	6,985,614	6,955,299	944,026	14,884,939
Additions	48,837	615	—	49,452
At 30 September 2019 (Unaudited)	<u>7,034,451</u>	<u>6,955,914</u>	<u>944,026</u>	<u>14,934,391</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>				
At 1 January 2019 (Audited)	(6,735,710)	(6,277,290)	(796,089)	(13,809,089)
Charge for the period - Note 17	(66,931)	(243,498)	(44,441)	(354,870)
At 30 September 2019 (Unaudited)	<u>(6,802,641)</u>	<u>(6,520,788)</u>	<u>(840,530)</u>	<u>(14,163,959)</u>
<b><u>NET BOOK VALUE</u></b>				
At 31 December 2018 - Exhibit A (Audited)	<u>249,904</u>	<u>678,009</u>	<u>147,937</u>	<u>1,075,850</u>
At 30 September 2019 - Exhibit A (Unaudited)	<u>231,810</u>	<u>435,126</u>	<u>103,496</u>	<u>770,432</u>

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

**UNITED ARAB EMIRATES**

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

**6. INVESTMENT PROPERTIES**

a) This item consists of the following:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At 1 January 2018 (Audited)	152,832,360	144,110,500	296,942,860
Revaluation	<u>1,339,405</u>	<u>(1,652,000)</u>	<u>(312,595)</u>
30 September 2019 - Exhibit A (Unaudited)	<u>154,171,765</u>	<u>142,458,500</u>	<u>296,630,265</u>

b) (i) Investment properties represent the fair value of plots of lands valued of AED 154.1 million and buildings valued of AED 142.45 million owned by the group in Abu Dhabi and Mussaffah.

(ii) Within investment properties are two plots of land with a carrying value of AED 89.5 million as of 30 September 2019 (31 December 2018: AED 90.4 million) where the master developer has not transferred the title to the name of the group, pending the settlement of title fee

c) The fair value of the investment properties as of 30 September 2019 has been arrived at on the basis of independent valuations carried out by two valuers that are not related to the Group. The valuers are members of the Royal Institute of Surveyors, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

d) A building with a carrying value of AED 142.4 million as of 30 September 2019 is mortgaged in favour of Bank against the bank loan.

**7. INVESTMENTS IN FINANCIAL ASSETS**

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

i) This item consists of the following:

	<u>30 September 2019</u>	<u>31 December 2018</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Unquoted UAE equity securities	8,692,500	39,110,469
Quoted UAE equity securities	753,829	—
<b>Total - Exhibit A</b>	<u>9,446,329</u>	<u>39,110,469</u>

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Fair value at 1 January	39,110,469	60,086,539
Disposals	<u>(29,618,500)</u>	<u>(8,802,757)</u>
Written off	—	<u>(3,112,789)</u>
Transferred to FVTPL	—	<u>(5,870,854)</u>
(Decrease) in fair value taken to other comprehensive income - Exhibit B	<u>(45,640)</u>	<u>(3,189,670)</u>
<b>Fair value as at 30 September 2019 / 31 December - Exhibit A</b>	<u>9,446,329</u>	<u>39,110,469</u>

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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

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:

	<u>30 September 2019</u>	<u>31 December 2018</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Fair value at the beginning of the year	66,424,481	82,921,862
Proceeds on disposals	(26,760,616)	(13,239,972)
Realized (loss) / gain on disposals written off	—	4,018,841
Transferred from FVTOCI	—	5,870,854
(Decrease) in fair value taken to profit or loss - Note 18	28,926,040	(9,046,604)
<b>Fair value as at 30 September 2019 / 31 December - Exhibit A</b>	<b><u>39,055,175</u></b>	<b><u>66,424,481</u></b>

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Within UAE	48,423,447	104,798,888
Outside UAE	78,055	736,062
<b>Total - Note 7 (a &amp; b)</b>	<b><u>48,501,502</u></b>	<b><u>105,534,950</u></b>

- Investment designated through other comprehensive income and investments designated through profit and loss amounting to AED 9,446,329 and AED 38,977,120 respectively in which shares were frozen by Abu Dhabi court for urgent matters.

- Investments in shares of Al Firdouse amounting to AED 42,000 registered in the name of Pearl Capital



# AL KHAZNA INSURANCE COMPANY P.S.C

## UNITED ARAB EMIRATES

### NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

iii) Certain investments classified as FVTOCI which are measured in these consolidated interim financial statements at AED 39 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

a) 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 which cannot be utilized without the consent of the UAE Insurance Regulatory Authority.

b) The Movement on statutory deposit during the period / year was as the following:

	<u>30 September 2019</u>	<u>31 December 2018</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
At 1 January	10,000,000	10,000,000
Settlement of claims during the period	(5,849,989)	—
Addition during the period	5,952,122	—
<b>Balance at 30 September / 31 December Exhibit A</b>	<b><u>10,102,133</u></b>	<b><u>10,000,000</u></b>

#### 9. PREMIUM AND INSURANCE BALANCES RECEIVABLES

a) This item consists of the following:	<u>30 September 2019</u>	<u>31 December 2018</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Due from policy holders	28,184,949	44,327,733
Due from insurance and re insurance companies	14,316,062	18,944,527
Due from brokers and agencies	20,778,775	15,940,028
Total - Note 9 (b)	63,279,786	79,212,288
Impairment of insurance receivables - Note 9 (c)	(12,199,216)	(22,603,371)
<b>Net - Exhibit A</b>	<b><u>51,080,570</u></b>	<b><u>56,608,917</u></b>

b) The ageing for the insurance receivables is as the following:	<u>30 September 2019</u>	<u>31 December 2018</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
1 - 30 days	350,568	4,002,247
31 - 90 days	2,822,228	12,948,631
91 - 180 days	3,339,201	796,272
180 - 365 days	1,202,942	13,642,234
More than 366 days	55,564,847	47,822,904
<b>Total - Note 9 (a)</b>	<b><u>63,279,786</u></b>	<b><u>79,212,288</u></b>

The group deal with customers inside U.A.E. An amount balance AED 16,666,607 which represents 26.33% of total insurance receivables outstanding as of 30 September 2019 for 5 customers (31 December 2018: AED 28,435,891 , 35.89%, 5 customers)

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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

a)	<i>Impairment of insurance receivables:-</i>	<u>30 September 2019</u>	<u>31 December 2018</u>
	This item consists of the following:	<i>(Unaudited)</i>	<i>(Audited)</i>
	At 1 January	(22,603,371)	(26,918,396)
	Charge for the period / year - Note 17	(14,243)	(971,305)
	Release of provision - Note 18	10,418,398	5,286,330
	<b>Balance at 30 September / 31 December - Note 9 (a)</b>	<u><b>(12,199,216)</b></u>	<u><b>(22,603,371)</b></u>
10.	<b>REINSURANCE CONTRACT ASSETS</b>		
	This item consists of the following:	<u>30 September 2019</u>	<u>31 December 2018</u>
		<i>(Unaudited)</i>	<i>(Audited)</i>
	Unearned premium reserve	343,212	8,041,585
	Claims under settlement reserve	40,455,186	48,034,089
	Claims incurred but not reported reserve	5,114,943	(689,566)
	<b>Total - Exhibit A</b>	<u><b>45,913,341</b></u>	<u><b>55,386,108</b></u>
11.	<b>OTHER RECEIVABLES AND PREPAYMENTS</b>		
a)	This item consists of the following:	<u>30 September 2019</u>	<u>31 December 2018</u>
		<i>(Unaudited)</i>	<i>(Audited)</i>
	Deposits and other receivables	14,192,470	14,180,284
	Impairment of other receivables - Note 11 (b)	(10,189,993)	(10,189,993)
	Rent receivables	4,399,983	6,800,852
	Prepaid expenses	2,166,956	1,414,857
	Value added tax - receivables	1,332,124	1,079,441
	<b>Net - Exhibit A</b>	<u><b>11,901,540</b></u>	<u><b>13,285,441</b></u>
b)	<i>Impairment of other receivables</i>		
	This item consists of the following:	<u>30 September 2019</u>	<u>31 December 2018</u>
		<i>(Unaudited)</i>	<i>(Audited)</i>
	Balance at 1 January	(10,189,993)	(10,189,993)
	<b>Balance at 30 September- Note 11 (a)</b>	<u><b>(10,189,993)</b></u>	<u><b>(10,189,993)</b></u>
12.	<b>CASH AND CASH EQUIVALENTS</b>		
a)	This item consists of the following:	<u>30 September 2019</u>	<u>31 December 2018</u>
		<i>(Unaudited)</i>	<i>(Audited)</i>
	Cash on hand	84,200	84,200
	Cash at banks - current accounts	6,352,401	9,055,035
	<b>Total - Exhibit A &amp; D</b>	<u><b>6,436,601</b></u>	<u><b>9,139,235</b></u>
b)	As at 30 September 2019, cash at banks included an amounting of AED 1,481,127 which has been blocked against 2 cases where subsequently partial amount of AED 1,284,244 were released.		

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

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

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

a) This item consists of the following	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Authorized:</b>		
420,000,000 shares of AED 1 each	<b>420,000,000</b>	<b>420,000,000</b>
<b>Alotted, issued and fully paid</b>		
420,000,000 shares of AED 1 each	<b>420,000,000</b>	<b>420,000,000</b>

- 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:	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Term loan	36,086,998	103,853,002	139,940,000
Bank overdraft	50,284,333	—	50,284,333
<b>As at 30 September 2019 - Exhibit A</b>	<b>86,371,331</b>	<b>103,853,002</b>	<b>190,224,333</b>
	<b>(Unaudited)</b>		
Term loan	37,099,680	117,840,322	154,940,002
Bank overdraft	32,227,257	—	32,227,257
<b>As at 31 December 2018 - Exhibit A (Audited)</b>	<b>69,326,937</b>	<b>117,840,322</b>	<b>187,167,259</b>

b) Term loan :

Term loan from 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 LIBOR + 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).

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

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

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 the Bank with a primary mortgage over AKIC Tower, classified under investment properties, fair valued at AED 142.4 million (31 December 2018 : AED 144.1 million).

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

The bank has opened a bank overdraft facility in the name of the group for the repayment of the due installments on which the group defaulted during the period. The outstanding overdraft balance as at 30 September 2019 amounted to AED 50,284,333 (31 December 2018: AED 32,227,257).

**15. TECHNICAL PROVISIONS**

This item consists of the following:

	<u>30 September 2019</u> <u>(Unaudited)</u>	<u>31 December 2018</u> <u>(Audited)</u>
Unearned premiums reserve	815,177	18,041,859
Claims under settlement reserve	38,010,581	55,581,153
Claims incurred but reported reserve	5,910,965	11,871,994
Un allocated loss adjustment expenses reserve	1,804,195	2,843,005
C.R.R reserve	—	1,885,986
<b>Total - Exhibit A</b>	<b><u>46,540,918</u></b>	<b><u>90,223,997</u></b>

**16. INSURANCE AND OTHER PAYABLES**

This item consists of the following:

	<u>30 September 2019</u> <u>(Unaudited)</u>	<u>31 December 2018</u> <u>(Audited)</u>
Payable to policy holders	50,042,636	49,461,756
Payable to insurance companies	18,079,142	40,187,816
Payable to brokers / agents	20,371,439	15,103,903
Dividends payable	18,033,269	18,033,546
Accruals and other payables	22,440,121	23,048,403
Value added tax - payable	3,431,238	6,492,442
<b>Total - Exhibit A</b>	<b><u>132,397,845</u></b>	<b><u>153,227,956</u></b>

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

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

17. <b>OPERATING EXPENSES</b> This item consists of the following:	<u>For the period from</u> <u>1 January 2019 to</u> <u>30 September 2019</u> <u>(Unaudited)</u>	<u>For the period from</u> <u>1 January 2018 to</u> <u>30 September 2018</u> <u>(Unaudited)</u>
Salaries and related benefits	15,874,514	17,003,085
Rent expenses	1,782,570	1,741,898
Depreciation on property and equipment - Note 5	354,868	429,362
Fees and license	356,061	505,892
Impairment of insurance receivables (net) - Note 9 (c)	—	971,305
Value added tax - expenses	6,106,635	5,119,157
Other general expenses	3,087,939	2,654,526
<b>Total - Exhibit B</b>	<u>27,562,587</u>	<u>28,425,225</u>
18. <b>INCOME FROM INVESTMENT</b> This item consists of the following:	<u>For the period from</u> <u>1 January 2019 to</u> <u>30 September 2019</u> <u>(Unaudited)</u>	<u>For the period from</u> <u>1 January 2018 to</u> <u>30 September 2018</u> <u>(Unaudited)</u>
Net fair value gain / (loss) on investments at FVTPL - Note 7 (b)	28,926,040	(20,668,007)
Dividends from investments in securities	5,951,447	7,607,940
Interest on term deposits	9,778	14,907
Gain / (loss) from sale of AFS	7,185,025	(603,189)
Net income from investment properties	3,886,102	5,100,101
(Loss) / gain from revaluation of investments properties	(312,595)	12,191,360
Realized (loss) / gain from sale of investment FVTPL	(29,534,730)	4,785,373
Impairment of insurance receivables written back - Note 9	10,418,398	2,490,764
Other (loss)	(1,966,979)	(1,478,022)
<b>Net - Exhibit B</b>	<u>24,562,486</u>	<u>9,441,227</u>
19. <b>PROFIT / (LOSS) PER ORDINARY SHARE</b> This item consists of the following:	<u>For the period from</u> <u>1 January 2019 to</u> <u>30 September 2019</u> <u>(Unaudited)</u>	<u>For the period from</u> <u>1 January 2018 to</u> <u>30 September 2018</u> <u>(Unaudited)</u>
Profit / (loss) for the period	3,696,657	(9,414,571)
Weighted number of shares in issue throughout the period	420,000,000	420,000,000
<b>Basic profit / (loss) per share - Exhibit B</b>	<u>0.0088</u>	<u>(0.0224)</u>

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

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

---

**20. RISK MANAGEMENT**

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

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

a) *Insurance risk*

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

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

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

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

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

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

---

b) *Capital risk*

The group's objectives when managing capital are :

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

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

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Total shareholders' equity	<u>91,671,475</u>	<u>105,234,883</u>
Minimum regulatory capital	<u>100,000,000</u>	<u>100,000,000</u>

c) *Credit risk*

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

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

- Re-insurers' share of insurance liabilities.
- Amounts due from reinsurers in respect of claims already paid.
- Amounts due from insurance contract holders.
- Amounts due from insurance intermediaries (Note 9 (a)).
- Amounts due from banks for its balances and fixed deposits (Note 10 (a)).

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.

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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

---

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

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

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

d) *Interest rate risk*

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

e) *Market risk*

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

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

f) *Foreign currency risk*

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

g) *Liquidity risk*

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



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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

The following table shows the maturity dates of group's financial assets and liabilities as at 30 September 2019 (Unaudited).

<i>Financial assets</i>	<u>Less</u> <u>than 1 year</u>	<u>More</u> <u>than 1 year</u>	<u>Total</u>
Investments designated at (FVTOCI)	—	9,446,329	9,446,329
Investments designated at (FVTPL)	39,055,175	—	39,055,175
Statutory deposit	—	10,102,133	10,102,133
Premium and insurance balances receivables	51,080,570	—	51,080,570
Reinsurance shares of claims under settlement reserve	40,455,186	—	40,455,186
Other receivable and prepayments	19,924,577	—	19,924,577
Cash and cash equivalents	6,436,601	—	6,436,601
<b>Total</b>	<u>156,952,109</u>	<u>19,548,462</u>	<u>176,500,571</u>
<i>Financial liabilities</i>			
Claims under settlement reserve	38,010,581	—	38,010,581
Insurance and other payables	132,397,845	—	132,397,845
Borrowings from banks	86,371,331	103,853,002	190,224,333
End of service benefits obligation	—	7,208,341	7,208,341
<b>Total</b>	<u>256,779,757</u>	<u>111,061,343</u>	<u>367,841,100</u>

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

<i>Financial assets</i>	<u>Less</u> <u>than 1 year</u>	<u>More</u> <u>than 1 year</u>	<u>Total</u>
Investments designated at (FVTOCI)	—	39,110,469	39,110,469
Investments designated at (FVTPL)	66,424,481	—	66,424,481
Statutory deposit	—	10,000,000	10,000,000
Premium and insurance balances receivables	56,608,917	—	56,608,917
Reinsurance shares of claims under settlement reserve	48,034,089	—	48,034,089
Other receivable and prepayments	22,060,577	—	22,060,577
Cash and cash equivalents	9,139,235	—	9,139,235
<b>Total</b>	<u>202,267,299</u>	<u>49,110,469</u>	<u>251,377,768</u>
<i>Financial liabilities</i>			
Claims under settlement reserve	55,581,153	—	55,581,153
Insurance and other payables	153,227,956	—	153,227,956
Borrowings from banks	69,326,937	117,840,322	187,167,259
End of service benefits obligation	—	6,849,506	6,849,506
<b>Total</b>	<u>278,136,046</u>	<u>124,689,828</u>	<u>402,825,874</u>

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

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

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:

	<b>Underwriting</b>		<b>Investments and Others</b>		<b>Total</b>	
	<u>30 September 2019</u> <i>(Unaudited)</i>	<u>30 September 2018</u> <i>(Unaudited)</i>	<u>30 September 2019</u> <i>(Unaudited)</i>	<u>30 September 2018</u> <i>(Unaudited)</i>	<u>30 September 2019</u> <i>(Unaudited)</i>	<u>30 September 2018</u> <i>(Unaudited)</i>
Segment revenue	95,665	40,027,007	24,562,486	9,441,227	24,658,151	49,468,234
Segment result	(12,094,955)	(11,394,073)	24,562,486	9,441,227	12,467,531	(1,952,850)
Unallocated expenses					(8,770,874)	(7,461,721)
(loss) for the period					3,696,657	(9,414,571)

**AL KHAZNA INSURANCE COMPANY P.S.C**  
**UNITED ARAB EMIRATES**  
**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

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

	Underwriting		Investments		Total	
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Segment assets:	109,703,839	126,650,971	355,233,902	412,477,810	464,937,741	539,128,781
Unallocated assets:					6,436,601	9,139,235
Total assets:					471,374,342	548,268,016
Segment liabilities:	168,256,123	239,340,776	193,413,475	191,058,811	361,669,598	424,990,597
Unallocated liabilities:					18,033,269	13,033,546
Total liabilities:					379,702,867	443,031,143

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 2019 to 30 September 2019 (Unaudited)	For the period from 1 January 2018 to 30 September 2018 (Unaudited)
Motor	112,802	7,542,447
Engineering	127,488	1,303,313
Fire and general accidents	518,115	2,258,959
Marine and aviation	28,860	1,401,861
Employee benefits, medical and personal assurance	(218,329)	27,520,447
Total - Exhibit B	568,936	40,027,007

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

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

---

**22. CONTINGENT LIABILITIES**

This item consists of the following:

	<u>30 September 2019</u> <u>(Unaudited)</u>	<u>31 December 2018</u> <u>(Audited)</u>
Letters of guarantee	<b>2,068,600</b>	<b>9,197,920</b>

**23. GENERAL**

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

**24. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated interim financial statements were approved by the Board of Directors and authorized for issue.