

**Al Khazna Insurance Company**  
(Public Shareholding Company)

**Condensed consolidated interim  
financial information for the  
three months ended 31 March 2012  
(Unaudited)**

**Al Khazna Insurance Company**  
**(Public Shareholding Company)**

**Condensed consolidated interim financial information**  
**for the three months ended 31 March 2012**

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## **Al Khazna Insurance Company P.S.C.**

### **Board of Directors' report for the three months ended 31 March 2012**

Al Khazna Insurance Company P.S.C. is pleased to submit its first quarterly report of 2012 together with the condensed consolidated interim financial information for the three months ended 31 March 2012.

During the period, the Group managed to increase its share in the medical business and underwrite new business which contributed to increasing the gross written premiums for the three months ended 31 March 2012.

Moreover, during the quarter, the Group recognised a gain on investments resulting from the increase in share prices of certain listed investments.

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

Gross premium written increased from AED 21.5 million for the three months period ended 31 March 2011 to AED 51.2 million for the three months period ended 31 March 2012.

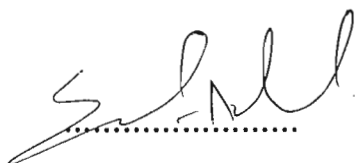
The underwriting surplus was AED 12.0 million for the three months period ended 31 March 2012 as compared to AED 12.3 million for the three months period ended 31 March 2011.

The net investment results for the period registered a gain of AED 56.3 million for the three months period ended 31 March 2012 against a loss of AED 7.5 million in the three months period ended 31 March 2011. The increase in investment income is mainly attributable to the increase in the share price of certain listed investments.

The net profit for the three months period ended 31 March 2012 is AED 54.28 million against a net loss of AED 8.24 million for the three months period ended 31 March 2011.

The total assets of the Group were AED 1.12 billion as at 31 March 2012 against AED 1.06 billion as at 31 December 2011 and AED 1.13 billion as at 31 March 2011.

The total capital and reserves attributable to the Company's equity holders increased to AED 670.32 million as at 31 March 2012 against AED 614.17 million as at 31 December 2011 and AED 609.91 million as at 31 March 2011.



.....

..... May 2012



## **Report on Review of Condensed Consolidated Interim Financial Information to the shareholders of Al Khazna Insurance Company P.S.C.**

### ***Introduction***

We have reviewed the accompanying condensed consolidated interim statement of financial position of Al Khazna Insurance Company P.S.C. (the Company) and its subsidiaries (together, the Group) as of 31 March 2012 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim cash flow statement for the three months then ended. Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting." Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### ***Scope of review***

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim 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.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting."

PricewaterhouseCoopers  
13 May 2012

Jacques Fakhoury  
Registered Auditor Number 379  
Abu Dhabi, United Arab Emirates

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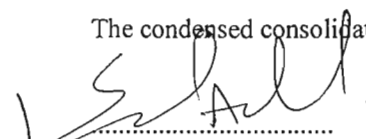
W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy


# Al Khazna Insurance Company P.S.C.

## Condensed consolidated interim statement of financial position

	Notes	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
<b>ASSETS</b>				
Property and equipment	4	8,767,572	9,145,609	10,270,363
Investment properties	5	474,383,844	472,644,824	461,442,935
Financial assets				
- Available-for-sale	6	64,593,893	63,087,384	128,744,514
- At fair value through profit or loss	6	300,091,150	248,927,782	187,990,137
Advances		-	-	23,601,026
Insurance and other receivables	7	139,708,996	126,636,633	141,359,272
Reinsurance contracts	8	101,466,153	111,710,903	132,333,947
Deferred acquisition costs	20	2,788,386	1,604,106	1,776,008
Bank deposits with an original maturity of more than 3 months	9	11,634,455	11,634,455	11,566,579
Cash and cash equivalents	10	17,178,949	14,771,192	34,285,572
<b>Total assets</b>		<b>1,120,613,398</b>	<b>1,060,162,888</b>	<b>1,133,370,353</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	11	400,000,000	400,000,000	400,000,000
Share premium		1,783,412	1,783,412	1,783,412
Legal reserve	12	60,106,478	60,106,478	58,122,000
Regulatory reserve	12	58,064,354	58,064,354	56,267,338
Fair value reserve	13	18,313,085	16,444,208	32,225,995
Revaluation reserve		11,736,841	11,736,841	11,736,841
Retained earnings		120,317,709	66,036,686	49,772,496
<b>Total capital and reserves attributable to the Company's equity holders</b>		<b>670,321,879</b>	<b>614,171,979</b>	<b>609,908,082</b>
<b>LIABILITIES</b>				
Insurance liabilities	8	180,500,593	169,912,589	225,973,686
Unearned reinsurance commission	18	2,886,980	3,226,177	3,781,113
Retirement benefit obligations	14	3,224,950	3,025,318	3,098,230
Bank borrowings	15	166,437,490	161,991,345	165,284,808
Trade and other payables	16	97,241,506	107,835,480	125,324,434
<b>Total liabilities</b>		<b>450,291,519</b>	<b>445,990,909</b>	<b>523,462,271</b>
<b>Total equity and liabilities</b>		<b>1,120,613,398</b>	<b>1,060,162,888</b>	<b>1,133,370,353</b>

The condensed consolidated interim financial information was authorised for issue on ..... 2012 by:

  
.....  
Chairman

  
.....  
CEO

## Al Khazna Insurance Company P.S.C.

### Condensed consolidated interim income statement

	Notes	Three months ended 31 March	
		2012 AED Reviewed	2011 AED Reviewed
Insurance premium revenue	17	32,008,282	48,439,976
Insurance premium ceded to reinsurers	17	(15,660,748)	(22,088,751)
<b>Net insurance premium revenue</b>	17	16,347,534	26,351,225
Reinsurance commissions	18	2,032,871	3,053,509
Investment income		740,815	133,726
Net fair value gain on investment properties	5	1,739,020	-
Net realised loss on financial assets	6	(362,368)	(916,940)
Net fair value gain/(loss) on financial assets at fair value through profit or loss	6	51,163,368	(11,882,528)
Net rental income for investment property		2,979,603	5,177,177
<b>Net income</b>		74,640,843	21,916,169
Insurance claims and loss adjustment expenses	19	(9,611,890)	(28,993,439)
Insurance claims and loss adjustment expenses recovered from reinsurers	19	4,826,158	13,185,173
<b>Net insurance claims</b>	19	(4,785,732)	(15,808,266)
Expenses for acquisition of insurance contracts	20	(1,556,908)	(1,282,902)
Expenses for marketing and administration		(9,922,482)	(9,760,380)
Amortisation of prepaid rent		(1,150,052)	-
<b>Expenses</b>		(17,415,174)	(26,851,548)
<b>Results of operating activities</b>		57,225,669	(4,935,379)
Finance costs		(2,944,646)	(3,305,877)
<b>Profit/(loss) for the period</b>		54,281,023	(8,241,256)
<b>Attributable to:</b>			
- Equity holders of the Company		54,281,023	(8,241,256)
Basic earnings per share	22	0.14	-

The notes on pages 8 to 35 form an integral part of these condensed consolidated interim financial information.

## Al Khazna Insurance Company P.S.C.

### Condensed consolidated interim statement of comprehensive income

	Notes	Three months ended 31 March	
		2012 AED Reviewed	2011 AED Reviewed
Profit/(loss) for the period		54,281,023	(8,241,256)
<b>Other comprehensive income</b>			
Net fair value gain/(loss) on available- for-sale financial assets	6	1,868,877	(6,450,453)
Fair value loss transferred to income statement on impairment	6	-	916,940
<b>Total other comprehensive gain/(loss)</b>		<u>1,868,877</u>	<u>(5,533,513)</u>
<b>Total comprehensive income/(loss) for the period</b>		<u>56,149,900</u>	<u>(13,774,769)</u>
<b>Attributable to:</b>			
- Owners of the Company		<u>56,149,900</u>	<u>(13,774,769)</u>

The notes on pages 8 to 35 form an integral part of these condensed consolidated interim financial information.

## Al Khazna Insurance Company P.S.C.

### Condensed consolidated interim statement of changes in equity (Reviewed)

	Attributable to equity holders of the Company							Total equity AED
	Share capital AED	Share premium AED	Legal reserve AED	Regulatory reserve AED	Fair value and other reserves AED	Retained earnings AED		
Balance at 1 January 2011	400,000,000	1,783,412	58,122,000	56,267,338	49,496,349	58,013,752	623,682,851	
Loss for the period	-	-	-	-	-	(8,241,256)	(8,241,256)	
Other comprehensive loss	-	-	-	-	(5,533,513)	-	(5,533,513)	
Total comprehensive loss for the period	-	-	-	-	(5,533,513)	(8,241,256)	(13,774,769)	
<b>Balance at 31 March 2011</b>	<b>400,000,000</b>	<b>1,783,412</b>	<b>58,122,000</b>	<b>56,267,338</b>	<b>43,962,836</b>	<b>49,772,496</b>	<b>609,908,082</b>	
Balance at 1 January 2012	400,000,000	1,783,412	60,106,478	58,064,354	28,181,049	66,036,686	614,171,979	
Profit for the period	-	-	-	-	-	54,281,023	54,281,023	
Other comprehensive income	-	-	-	-	1,868,877	-	1,868,877	
Total comprehensive income for the period	-	-	-	-	1,868,877	54,281,023	56,149,900	
<b>Balance at 31 March 2012</b>	<b>400,000,000</b>	<b>1,783,412</b>	<b>60,106,478</b>	<b>58,064,354</b>	<b>30,049,926</b>	<b>120,317,709</b>	<b>670,321,879</b>	

The notes on pages 8 to 35 form an integral part of these condensed consolidated interim financial information.



## Al Khazna Insurance Company P.S.C.

### Condensed consolidated interim statement of cash flows

	Notes	Three months ended 31 March	
		2012	2011
		AED Reviewed	AED Reviewed
Cash used in operations	21	(1,057,010)	(14,243,931)
Interest received		-	643,113
<b>Net cash used in operating activities</b>		<b>(1,057,010)</b>	<b>(13,600,818)</b>
<b>Cash flows from investing activities</b>			
Decrease in bank deposits with original maturity of more than three months		-	24,976
Purchase of property and equipment	4	(144,008)	(1,081,715)
Proceeds from sale of property and equipment		-	105,040
<b>Net cash used in investing activities</b>		<b>(144,008)</b>	<b>(951,699)</b>
<b>Cash flows from financing activities</b>			
Interest paid		-	(3,305,877)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(3,305,877)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,201,018)</b>	<b>(17,858,394)</b>
Cash and cash equivalents, beginning of the period		13,894,602	43,281,463
<b>Cash and cash equivalents, end of the period</b>	10	<b>12,693,584</b>	<b>25,423,069</b>

#### Non-cash transactions

The principal non-cash transactions relate to the following:

- An amount of AED 15.7million was transferred from bank loan to bank overdraft (refer to Note 15).
- An amount of AED 2.1million interest payable on the bank loan and AED 0.8million interest payable on the bank overdraft were accrued for the period.

## **Al Khazna Insurance Company P.S.C.**

### **Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012**

#### **1 General information**

Al Khazna Insurance Company (the Company) is a public shareholding company. The Company and its subsidiaries (together the Group) are incorporated in the Emirate of Abu Dhabi. The Company was incorporated by Emiri Decree No. (4) dated 11 September 1996. The registered address of the Company is PO Box 73343, Abu Dhabi, United Arab Emirates.

The Company is primarily engaged in insurance of all classes of business, with the exception of endowments and annuities.

The Company is listed on the Abu Dhabi Stock Exchange.

The list of subsidiaries and their activities are disclosed in Note 2.2.

As of 31 March 2012, the Group's subsidiaries, Pearl Capital Investments LLC and National Publishers LLC have incurred losses of AED 1 million (31 December 2011: Profit AED 1.9 million) and AED 0.5 million (31 December 2011: AED 2.6 million) respectively and reported net liabilities of AED 33.7 million (31 December 2011: AED 32.7 million) and AED 5.8 million (31 December 2011: AED 5.4 million) respectively. The Company has confirmed the shareholders' intention to continue to arrange funding for the subsidiaries to enable each to meet their liabilities as they fall due and to carry on their businesses without a significant curtailment of operations. Furthermore, as the accumulated losses amounting to AED 41.2 million (31 December 2011: AED 40.2 million) and AED 8.7 million (31 December 2011: AED 8.2 million) respectively exceeded half of the share capital of each of the subsidiaries as of 31 March 2012 and 31 December 2011, to comply with the provisions of Article 289 of UAE Federal Law No. (8) of 1984, as amended, the shareholders of each subsidiary were required to vote on a resolution for the continuation of each of the subsidiaries at their own Annual General Assemblies in the last 2 years. Thus the subsidiaries have breached the provisions of Article 289 of the UAE Federal Law No. (8) of 1984, as amended.

#### **2 Accounting policies**

##### **2.1 Basis of preparation**

The condensed consolidated interim financial information is prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting." The condensed consolidated interim financial information is prepared under the historical cost convention as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and available for sale financial assets.

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those applied in the annual consolidated financial statements for the year ended 31 December 2011.

Costs that occur unevenly during the financial year are anticipated or deferred in the condensed consolidated interim financial information only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

## **Al Khazna Insurance Company P.S.C.**

### **Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)**

#### **2 Accounting policies (continued)**

##### **2.1 Basis of preparation (continued)**

The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2011.

The condensed consolidated interim financial information is presented in UAE Dirhams because that is the currency of the primary economic environment in which the Group operates.

At the date of the condensed consolidated interim financial information, the following Standards, Amendments and Interpretations which have not been applied in the condensed consolidated interim financial information were in issue but not yet effective:

- IAS 19 (amendment), 'Employee benefits' (effective from 1 January 2013);
- IFRS 10 (standard), 'Consolidated financial statements' (effective from 1 January 2013);
- IFRS 11 (standard), 'Joint arrangement' (effective from 1 January 2013);
- IFRS 12 (standard), 'Disclosures of interest in other entities' (effective from 1 January 2013);
- IFRS 13 (standard), 'Fair value measurement' (effective from 1 January 2013);
- IAS 27 (amendment), 'Consolidated and separate financial statements' (effective from 1 January 2013);
- IAS 28 (amendment), 'Associates and joint ventures' (effective from 1 January 2013);  
and
- IFRS 9 (interpretation), 'Financial instruments' (effective from 1 January 2015).

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## **Al Khazna Insurance Company P.S.C.**

### **Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)**

#### **2 Accounting policies (continued)**

##### **2.2 Basis of consolidation**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the condensed consolidated interim statement of comprehensive income.

Inter-group transactions, balances and unrealised gains and losses on intra-group transactions are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 2 Accounting policies (continued)

##### 2.2 Basis of consolidation (continued)

Details of subsidiaries, registered in United Arab Emirates which have been consolidated are as follows:

Name of subsidiary	Domiciled	Proportion of ownership	Principal activity
The Best Tenants LLC	UAE	99.95%	To market, promote and deliver property management and advisory services.
Pearl Capital Investments LLC	UAE	100%	To invest in securities & real estate.
National Publishers	UAE	100%	Publishing of periodicals
Real Estate Academy Est. (Al Akarya Academy) **	UAE	100%	To market, promote and deliver management and advisory services in respect of real estate.
Al Khazna Real Estate Est. ***	UAE	100%	To market, promote and deliver management & advisory services in respect of real estate.
Modern Academy	UAE	100%	To provide business management training.
Administrative Training LLC *	UAE	100%	To provide business management training.
IT Academy LLC *	UAE	100%	To provide business management training.
Real Estate Academy for Training LLC *	UAE	100%	To provide business management training.
Academy for Tourism and Holidays LLC ***	UAE	100%	To provide training in the field of travel, tourism and hotel management.
First Deal Real Estate LLC	UAE	100%	To manage investments in real estate.
Academy for Investment Est. ***	UAE	100%	To manage investments in real estate.
Under Writing Electronics Solutions Est. ***	UAE	100%	Data formatting, computer system & instruments filling services.
Tadawel Electronics Solutions Est. ***	UAE	100%	Software consultant, storing and retrieving data.
Tel Fast Recruitment Agencies LLC ***	UAE	99%	Employment services - recruitment
Tel Fast Manpower Supply LLC ***	UAE	99%	Labourers supply services

(\*): These subsidiaries have not yet commenced operations and their trade licences have expired and not been renewed.

(\*\*) These subsidiaries have not yet commenced operations and do not have trade licences.

(\*\*\*) These subsidiaries have not yet commenced operations but have trade licenses.

The ownership is held by the Company and its subsidiaries.

## **Al Khazna Insurance Company P.S.C.**

### **Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)**

#### **2 Accounting policies (continued)**

As required by the Emirates Securities and Commodities Authority ("ESCA"), accounting policies related to investment property and financial assets have been disclosed in the notes below.

##### **2.3 Investment property**

Property held to earn long-term rental yields and/or for capital appreciation that is not occupied by the Group is classified as investment property.

Investment property comprises freehold land and buildings and is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections or recent prices on less active markets. These valuations are reviewed at each reporting date by an independent valuer. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the condensed consolidated interim income statement.

##### **2.4 Financial assets**

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss, held-to-maturity and available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the investments were acquired.

###### **2.4.1 Classification**

###### *(i) Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

## **Al Khazna Insurance Company P.S.C.**

### **Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)**

#### **2 Accounting policies (continued)**

##### **2.4 Financial assets (continued)**

###### **2.4.1 Classification (continued)**

###### *(ii) Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are corporate bonds.

Interest on held-to-maturity investments is included in the condensed consolidated interim income statement and reported as 'Investment income'. An impairment is reported as a deduction from the carrying value of the investment and recognised in the condensed consolidated interim income statement as 'Net gains/(losses) on investment securities'.

###### *(iii) Available-for-sale financial assets*

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

###### *(iv) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

###### **2.4.2 Recognition and measurement**

Regular-way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the condensed consolidated interim income statement.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

## **Al Khazna Insurance Company P.S.C.**

### **Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)**

#### **2 Accounting policies (continued)**

##### **2.4 Financial assets (continued)**

###### **2.4.2 Recognition and measurement (continued)**

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the condensed consolidated interim income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the condensed consolidated interim income statement when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the condensed consolidated interim income statement as net realised gains on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the condensed consolidated interim income statement. Dividends on available-for-sale equity instruments are recognised in the condensed consolidated interim income statement when the Group's right to receive payments is established. Both are included in the investment income line.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the condensed consolidated interim income statement; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

For financial instruments traded in active markets, the determination of the fair values is based on quoted market prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.



## **Al Khazna Insurance Company P.S.C.**

### **Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)**

#### **3 Underwriting results of the insurance segment**

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

The Group is organised into six operating segments. These comprise five segments under the Group's insurance business and a Corporate segment. The five insurance segments distribute their products through various forms of brokers, agencies and direct marketing programmes. Management identifies its reportable operating segments by product line consistent with the reports used by the Board. These insurance segments and their respective operations are as follows:

- Motor: Covers damage to motor cars and related property and injuries or death of persons
- Fire: Covers insurance against damages caused by fire, explosions, natural phenomena and all kind of commotions
- Medical: Covers groups of individuals for medical treatment
- Marine and Aviation: Covers the insurance of cargo and other movables, freight charges, ship and aircraft hulls, machinery and the insurance against risks incidental to its construction, operations, repairs and docking including damages which afflict others.
- Accident and Others: Covers damages resulting from personal accidents, work accidents, burglary, civil responsibilities, engineering insurance, breach of trust and all risks excluding those mentioned in the above categories.

The Corporate operations consist primarily of returns from investments in securities and real estate as well as the result of the Group's operating subsidiaries.

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 3 Underwriting results of the insurance segment (continued)

Details of the five insurance operating segments are set out on pages 17 to 20 and are summarized with the information on the corporate segment below:

	<b>Insurance</b> AED'000 Reviewed	<b>Corporate</b> AED'000 Reviewed	<b>Total</b> AED'000 Reviewed
<b>Period ended 31 March 2012</b>			
Net underwriting results	12,037	-	12,037
Expenses for marketing and administration	(9,827)	(1,245)	(11,072)
Net investment income	-	53,282	53,282
Net rental income from investment property	-	2,979	2,979
	<u>2,210</u>	<u>55,016</u>	<u>57,226</u>
Results of operating activities	<u>2,210</u>	<u>55,016</u>	<u>57,226</u>
<b>At 31 March 2012</b>			
Total assets	<u>243,963</u>	<u>876,650</u>	<u>1,120,613</u>
<b>Period ended 31 March 2011</b>			
Net underwriting results	12,313	-	12,313
Expenses for marketing and administration	(7,960)	(1,800)	(9,760)
Net investment loss	-	(12,666)	(12,666)
Net rental income from investment property	-	5,177	5,177
	<u>4,353</u>	<u>(9,289)</u>	<u>(4,936)</u>
Results of operating activities	<u>4,353</u>	<u>(9,289)</u>	<u>(4,936)</u>
<b>At 31 March 2011</b>			
Total assets	<u>297,562</u>	<u>835,808</u>	<u>1,133,370</u>

The Group's underwriting business is based entirely within the United Arab Emirates and other GCC countries except for treaty reinsurance arrangements which are conducted with companies based primarily in Europe. The investments of the Group are held in the UAE and other GCC countries.

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 3 Underwriting results of the insurance segment (Reviewed) (continued)

	Three months ended 31 March 2012					
	Fire AED'000	Motor AED'000	Medical AED'000	Marine and aviation AED'000	Accident and others AED'000	Total AED'000
Gross premium written	3,017	6,098	34,335	307	7,482	51,239
Less: Ceded premiums	(2,538)	(1,690)	(1,518)	(251)	(4,565)	(10,562)
<b>Net premium income</b>	479	4,408	32,817	56	2,917	40,677
Add: Net unearned premium reserve at start of the period	498	11,407	7,245	219	3,237	22,606
Less: Net unearned premium reserve at close of the period	(698)	(10,941)	(31,487)	(120)	(3,689)	(46,935)
<b>Net premium earned</b>	279	4,874	8,575	155	2,465	16,348
Reinsurance commission	743	255	-	57	638	1,693
Add: Unearned reinsurance commission at start of period	633	696	-	302	1,595	3,226
Less: Unearned reinsurance commission at close of period	(949)	(637)	-	(123)	(1,178)	(2,887)
<b>Reinsurance commission earned</b>	427	314	-	236	1,055	2,032
<b>Total net underwriting revenue</b>	706	5,188	8,575	391	3,520	18,380
Claims paid	(4,163)	(1,241)	(2,722)	(2,631)	(4,054)	(14,811)
Less: Recovered claims	3,764	197	164	2,254	3,594	9,973
Net claims paid	(399)	(1,044)	(2,558)	(377)	(460)	(4,838)
Less: Net outstanding claims at start of the period	2,018	5,704	5,550	4,475	6,545	24,292
Add: Net outstanding claims at close of the period	(1,635)	(3,716)	(9,626)	(3,530)	(5,733)	(24,240)
<b>Net claims incurred</b>	(16)	944	(6,634)	568	352	(4,786)
Commission paid and net other acquisition (costs)/income	(374)	199	(1,983)	(40)	(543)	(2,741)
Add: Deferred acquisition costs at start of period	(343)	(75)	(333)	(32)	(821)	(1,604)
Less: Deferred acquisition cost at close of period	478	42	1,551	34	683	2,788
<b>Expenses for acquisition of insurance contracts</b>	(239)	166	(765)	(38)	(681)	(1,557)
<b>Total net underwriting expenses</b>	(255)	1,110	(7,399)	530	(329)	(6,343)

**Al Khazna Insurance Company P.S.C.**

**Notes to the condensed consolidated interim financial information  
for the three months ended 31 March 2012 (continued)**

**3 Underwriting results of the insurance segment (Reviewed) (continued)**

	Three months ended 31 March 2012					Total AED'000
	Fire AED'000	Motor AED'000	Medical AED'000	Marine and Aviation AED'000	Accident and others AED'000	
Total net underwriting revenue b/f	706	5,188	8,575	391	3,520	18,380
Total net underwriting expenses b/f	(255)	1,110	(7,399)	530	(329)	(6,343)
<b>Underwriting surplus</b>	<u>451</u>	<u>6,298</u>	<u>1,176</u>	<u>921</u>	<u>3,191</u>	<u>12,037</u>
Expenses for marketing and administration	(579)	(1,170)	(6,585)	(58)	(1,435)	(9,827)
<b>Net underwriting (deficit)/surplus</b>	<u>(128)</u>	<u>5,128</u>	<u>(5,409)</u>	<u>863</u>	<u>1,756</u>	<u>2,210</u>

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 3 Underwriting results of the insurance segment (Reviewed) (continued)

	Three months ended 31 March 2011					
	Fire AED'000	Motor AED'000	Medical AED'000	Marine and Aviation AED'000	Accident and others AED'000	Total AED'000
Gross premium written	2,839	8,357	3,354	738	6,223	21,511
Less: Ceded premiums	(2,346)	(2,596)	(340)	(644)	(5,008)	(10,934)
<b>Net premium income</b>	493	5,761	3,014	94	1,215	10,577
Add: Net unearned premium reserve at start of period	725	16,793	19,264	591	4,380	41,753
Less: Net unearned premium reserve at close of the period	(718)	(15,216)	(6,576)	(233)	(3,236)	(25,979)
<b>Net premium earned</b>	500	7,338	15,702	452	2,359	26,351
Reinsurance commission	685	393	-	100	862	2,040
Add: Unearned reinsurance commission at start of period	888	1,335	-	380	2,192	4,795
Less: Unearned reinsurance commission at close of period	(899)	(1,122)	-	(166)	(1,594)	(3,781)
<b>Reinsurance commission earned</b>	674	606	-	314	1,460	3,054
<b>Total net underwriting revenue</b>	1,174	7,944	15,702	766	3,819	29,405
Claims paid	(2,346)	(19,770)	(28,868)	(582)	(6,418)	(57,984)
Less: Recovered claims	1,713	5,382	579	518	5,165	13,357
<b>Net claims paid</b>	(633)	(14,388)	(28,289)	(64)	(1,253)	(44,627)
Less: Net outstanding claims at start of period	2,474	18,168	42,265	5,031	8,707	76,645
Add: Net outstanding claims at close of the period	(2,504)	(8,780)	(22,609)	(5,496)	(8,437)	(47,826)
<b>Net claims incurred</b>	(663)	(5,000)	(8,633)	(529)	(983)	(15,808)
Commission paid and net other acquisition (costs)/income	(388)	217	(9)	(40)	(582)	(802)
Add: Deferred acquisition costs at start of period	(404)	(186)	(391)	(209)	(1,068)	(2,258)
Less: Deferred acquisition cost at close of period	439	134	109	136	958	1,776
<b>Expenses for acquisition of insurance contracts</b>	(353)	165	(291)	(113)	(692)	(1,284)
<b>Total net underwriting expenses</b>	(1,016)	(4,835)	(8,924)	(642)	(1,675)	(17,092)

(19)

**Al Khazna Insurance Company P.S.C.**

**Notes to the condensed consolidated interim financial information  
for the three months ended 31 March 2012 (continued)**

**3 Underwriting results of the insurance segment (Reviewed) (continued)**

	Three months ended 31 March 2011					Total AED'000
	Fire AED'000	Motor AED'000	Medical AED'000	Marine and aviation AED'000	Accident and others AED'000	
Total net underwriting revenue b/f	1,174	7,944	15,702	766	3,819	29,405
Total net underwriting expenses b/f	(1,016)	(4,835)	(8,924)	(642)	(1,675)	(17,092)
<b>Underwriting surplus</b>	<u>158</u>	<u>3,109</u>	<u>6,778</u>	<u>124</u>	<u>2,144</u>	<u>12,313</u>
Expenses for marketing and administration	(1,051)	(3,092)	(1,241)	(273)	(2,303)	(7,960)
<b>Net underwriting (deficit)/surplus</b>	<u>(893)</u>	<u>17</u>	<u>5,537</u>	<u>(149)</u>	<u>(159)</u>	<u>4,353</u>

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 4 Property and equipment

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
<b>Cost</b>			
At beginning of period	22,017,790	21,046,241	21,046,241
Additions	144,008	1,700,214	1,081,715
Disposals	-	(728,665)	(105,040)
At end of period	<u>22,161,798</u>	<u>22,017,790</u>	<u>22,022,916</u>
<b>Depreciation</b>			
At beginning of period	12,872,181	11,296,148	11,296,148
Charge for the period	522,045	2,238,171	456,405
Disposals	-	(662,138)	-
At end of period	<u>13,394,226</u>	<u>12,872,181</u>	<u>11,752,553</u>
<b>Net book amount</b>			
At end of period	<u>8,767,572</u>	<u>9,145,609</u>	<u>10,270,363</u>

#### 5 Investment properties

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
At beginning of period	472,644,824	461,442,935	461,442,935
Net fair value gain	1,739,020	11,201,889	-
At end of period	<u>474,383,844</u>	<u>472,644,824</u>	<u>461,442,935</u>

Investment property with a carrying value of AED 225 million is mortgaged in favour of First Gulf Bank against the bank loan (Note 15).

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 5 Investment properties (continued)

Included within investment property are two pieces of land with a carrying value of AED 134.0 million whose title was not transferred to the name of the Group pending the settlement of the last instalment.

The fair value of the investment properties have been assessed by an independent valuer during the period and a fair value gain of AED 1.7 million has been recognised.

#### 6 Investments

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
<i>Available for sale financial assets</i>			
At beginning of period	63,087,384	135,194,967	135,194,967
Disposals	-	(58,586,662)	-
Impairment loss recorded in income statement	(362,368)	(3,439,639)	(916,940)
Net fair value gain/(loss)	1,868,877	(10,081,282)	(5,533,513)
At end of period	<u>64,593,893</u>	<u>63,087,384</u>	<u>128,744,514</u>

Details of available for sale financial assets:

Investment in quoted UAE securities carried at market value	5,652,119	5,617,121	66,661,230
Investment in unquoted UAE securities carried at fair value	58,941,774	57,470,263	62,083,284
	<u>64,593,893</u>	<u>63,087,384</u>	<u>128,744,514</u>



**Al Khazna Insurance Company P.S.C.**

**Notes to the condensed consolidated interim financial information  
for the three months ended 31 March 2012 (continued)**

**6 Investments (continued)**

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
<i>Financial assets at fair value through profit or loss</i>			
At beginning of period	248,927,782	199,878,932	199,878,932
Additions	-	110,959,846	-
Disposals	-	(58,419,953)	(6,267)
Net fair value gain/(loss)	51,163,368	(3,491,043)	(11,882,528)
At end of period	<u>300,091,150</u>	<u>248,927,782</u>	<u>187,990,137</u>

Details of financial assets at fair value through profit or loss:

Investments in quoted UAE securities	217,838,042	184,115,647	140,534,022
Investment in quoted foreign securities	82,253,108	64,812,135	47,456,115
	<u>300,091,150</u>	<u>248,927,782</u>	<u>187,990,137</u>

The net fair value gain arising in the quarter ended 31 March 2012 arises mainly on two quoted securities for which share prices increased significantly in the last few days of March.

**Al Khazna Insurance Company P.S.C.**

**Notes to the condensed consolidated interim financial information  
for the three months ended 31 March 2012 (continued)**

**7 Insurance and other receivables**

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
Due from contract holders	73,804,774	55,458,798	61,014,319
Due from agents, brokers, intermediaries and reinsurers	44,031,702	44,697,131	45,485,679
Less: provision for impairment of receivables	(20,975,519)	(20,272,781)	(7,169,207)
	<u>96,860,957</u>	<u>79,883,148</u>	<u>99,330,791</u>
<b>Other receivables</b>			
Prepayments	2,372,237	2,324,089	1,944,833
Accrued rent	1,085,992	987,914	2,587,339
Accrued interest	41,411	29,671	59,879
Recoveries of claims from other insurance companies	7,858,972	11,302,425	19,834,766
Deposits and other receivables	11,738,453	11,208,360	17,601,664
Provision for impairment of other receivables	(2,700,000)	(2,700,000)	-
Prepaid rent	22,450,974	23,601,026	-
	<u>42,848,039</u>	<u>46,753,485</u>	<u>42,028,481</u>
Total insurance and other receivables	<u>139,708,996</u>	<u>126,636,633</u>	<u>141,359,272</u>

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 8 Insurance liabilities and reinsurance contract assets

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
<b>Gross</b>			
Claims reported and loss adjustment expenses	106,752,885	115,073,157	165,955,034
Claims incurred but not reported	5,239,500	5,562,000	9,260,000
Unearned premiums provision	68,508,208	49,277,432	50,758,652
<b>Total insurance liabilities, gross</b>	<u>180,500,593</u>	<u>169,912,589</u>	<u>225,973,686</u>
<b>Recoverable from reinsurers</b>			
Claims reported and loss adjustment expenses	76,988,658	81,917,501	102,299,099
Claims incurred but not reported	2,904,677	3,122,426	5,255,613
Unearned premiums provision	21,572,818	26,670,976	24,779,235
<b>Total reinsurers' share of insurance liabilities</b>	<u>101,466,153</u>	<u>111,710,903</u>	<u>132,333,947</u>
<b>Net</b>			
Claims reported and loss adjustment expenses	29,764,227	33,155,656	63,655,935
Claims incurred but not reported	2,334,823	2,439,574	4,004,387
Unearned premiums provision	46,935,390	22,606,456	25,979,417
<b>Total insurance liabilities, net</b>	<u><u>79,034,440</u></u>	<u><u>58,201,686</u></u>	<u><u>93,639,739</u></u>

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 9 Bank deposits with an original maturity of more than 3 months

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
Restricted investment deposits	10,000,000	10,000,000	10,000,000
Bank deposits with an original maturity of more than 3 months	1,634,455	1,634,455	1,566,579
	<u>11,634,455</u>	<u>11,634,455</u>	<u>11,566,579</u>

At 31 March 2012, bank deposits with an original maturity of more than 3 months include accounts totaling AED 10 million (31 December 2011 - AED 10 million) which cannot be utilised without the consent of the UAE Ministry of Economy and Commerce in accordance with the requirements of the UAE Federal Law Number (9) of 1984 (as amended) and the UAE Federal Law number (6) of 2007 concerning Insurance companies and agents.

#### 10 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
Cash and bank balances	17,178,949	14,771,192	34,285,572
Bank overdraft (Note 15)	(4,485,365)	(876,590)	(8,862,503)
	<u>12,693,584</u>	<u>13,894,602</u>	<u>25,423,069</u>

For the purpose of statement of cash flows, bank overdraft amounting to AED 49.0 million was excluded from cash and cash equivalents since it relates to the financing of the bank loan (Note 15) and is included within financing activities.

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 11 Share capital

The issued and paid up share capital as at 31 March 2012 comprised of 400 million ordinary shares of AED 1 each.

#### 12 Reserves

##### *Legal reserve*

In accordance with the UAE Federal Law No. (8) of 1984, as amended, 10% of the annual profit of the Group is transferred to a non-distributable legal reserve. Transfers to this reserve are required to be made until such time as it equals 50% of the paid up share capital of the Company.

##### *Regulatory reserve*

In accordance with Article 57 of the Company's Articles of Association, 10% of the Company's net profit for the year is transferred to the regulatory reserve.

No transfers to the legal and regulatory reserves have been made for the three month period ended 31 March 2012 as these will be effected at the end of 2012 based on the Company and Group's results for the year.

#### 13 Fair value reserve

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
At beginning of period	16,444,208	37,759,508	37,759,508
Fair value loss transferred to income statement on impairment	-	2,067,537	916,940
Net fair value gain/(loss)	1,868,877	(10,081,282)	(6,450,453)
Fair value gain transferred to the income statement on disposal	-	(13,301,555)	-
<b>At end of period</b>	<u>18,313,085</u>	<u>16,444,208</u>	<u>32,225,995</u>

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 14 Retirement benefit obligations

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
At beginning of period	3,025,318	2,610,373	2,610,373
Charge for the period	241,618	936,043	613,663
Payments	(41,986)	(521,098)	(125,806)
<b>At end of period</b>	<b><u>3,224,950</u></b>	<b><u>3,025,318</u></b>	<b><u>3,098,230</u></b>

#### 15 Bank borrowings

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
Bank loan	112,907,597	128,607,597	140,722,305
Bank overdraft	53,529,893	33,383,748	24,562,503
	<b><u>166,437,490</u></b>	<b><u>161,991,345</u></b>	<b><u>165,284,808</u></b>

The loan is from First Gulf Bank and is repayable in semi-annual installments of AED 15.7 million each up to 2017. The loan carries an interest rate of 6 Month EIBOR + 1.50%. The Group has provided First Gulf Bank with a first degree mortgage over AKIC Tower classified under investment property valued at AED 225 million.

The bank has granted the Group a bank overdraft facility which amounted to AED 49 million at 31 March 2012 for the repayment of the three due installments on which the Group defaulted in 2011 and 2012. This overdraft carries an interest rate of EIBOR + 4.5%. Since the amount relates to the financing of the bank loan, it is not part of cash and cash equivalents.

Finances charges associated with the above facilities for the period amounted to AED 2.9 million (31 March 2011: AED 3.3 million).

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 15 Bank borrowings (continued)

Beginning 2009 the bank changed the interest rates on the bank loan and charging the Group interest at a rate above that stipulated in the loan agreement. As per the agreement, changes in interest rate need to be mutually agreed by both parties through a written confirmation. The Group did not acknowledge any change in interest rate and requested the justification from the bank for the change in interest rate.

The Group is currently in negotiation with the bank to adjust the interest being charged on the bank loan back to the originally mandated interest as per the agreement. For the quarter ended 31 March 2012, management has recognised the adjusted interest charge per the original agreement. The final consent has not yet been obtained from the bank but management is confident that the bank will adjust the interest according to the original terms of the contract.

#### 16 Trade and other payables

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
Insurance payables	57,422,221	70,594,510	74,134,063
Dividends payable	18,276,825	18,277,538	27,283,480
Accruals and other payables	16,070,363	13,519,331	16,050,217
Rent received in advance	5,472,097	5,444,101	7,856,674
	<u>97,241,506</u>	<u>107,835,480</u>	<u>125,324,434</u>

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 17 Net insurance premium revenue

	31 March 2012 AED Reviewed	31 March 2011 AED Reviewed
Premiums written	51,239,058	21,510,962
Change in unearned premium provision	(19,230,776)	26,929,014
Premium revenue	<u>32,008,282</u>	<u>48,439,976</u>
Premium ceded	(10,562,590)	(10,933,534)
Change in reinsurers' share of unearned premium provision	(5,098,158)	(11,155,217)
Premium revenue ceded to reinsurers on contracts issued	<u>(15,660,748)</u>	<u>(22,088,751)</u>
<b>Net insurance premium revenue</b>	<u><u>16,347,534</u></u>	<u><u>26,351,225</u></u>



## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 18 Reinsurance commissions

	31 March 2012 AED Reviewed	31 March 2011 AED Reviewed
Commission receivable from reinsurers	1,693,674	2,040,352
Unearned reinsurance commissions at beginning of period	3,226,177	4,794,270
Unearned reinsurance commissions at end of period	<u>(2,886,980)</u>	<u>(3,781,113)</u>
	<u>2,032,871</u>	<u>3,053,509</u>

#### 19 Insurance claims

	31 March 2012 AED Reviewed	31 March 2011 AED Reviewed
Paid claims, net of recoveries	(14,811,209)	(57,984,330)
Change in the provision for outstanding claims and IBNR	8,642,772	25,723,407
Change in outstanding claims recoveries	<u>(3,443,453)</u>	<u>3,267,484</u>
Gross claims incurred	<u>(9,611,890)</u>	<u>(28,993,439)</u>
Reinsurer's share of claims paid	9,972,750	13,357,415
Change in the reinsurers' share of provision for outstanding claims and IBNR	<u>(5,146,592)</u>	<u>(172,242)</u>
Reinsurer's share of claims incurred	<u>4,826,158</u>	<u>13,185,173</u>
<b>Claims and loss adjustments expenses, net of reinsurance</b>	<u><u>(4,785,732)</u></u>	<u><u>(15,808,266)</u></u>

**Al Khazna Insurance Company P.S.C.**

**Notes to the condensed consolidated interim financial information  
for the three months ended 31 March 2012 (continued)**

**20 Expenses for acquisition of insurance contracts**

	31 March 2012 AED Reviewed	31 March 2011 AED Reviewed
Commissions paid during the period	2,669,175	988,623
Other acquisition costs net of other underwriting income	72,013	(187,856)
Deferred acquisition costs at beginning of period	1,604,106	2,258,143
Deferred acquisition costs at end of period	(2,788,386)	(1,776,008)
	<u>1,556,908</u>	<u>1,282,902</u>

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 21 Cash used in operating activities

	Notes	Three months ended 31 March	
		2012 AED Reviewed	2011 AED Reviewed
Profit (loss) for the period		54,281,023	(8,241,256)
Adjustments for:			
Depreciation	4	522,045	456,405
Impairment on available for sale financial assets	6	362,368	916,940
(Gain)/loss on revaluation of investments at fair value through profit or loss	6	(51,163,368)	11,882,528
Net fair value gain on investment property	5	(1,739,020)	-
Provision for employees end of service benefits	14	241,618	613,663
Provision for impairment of trade receivables		702,738	
Interest income		(12,470)	(65,125)
Interest expense		2,944,646	3,305,877
Operating cash flows before change in operating assets and liabilities		6,139,580	8,869,032
Payment of retirement benefit obligation	14	(41,986)	(125,806)
(Increase)/decrease in deferred acquisition costs		(1,184,280)	482,135
Decrease in reinsurance contracts assets		10,244,750	11,327,459
Decrease/(increase) in insurance contract liabilities		10,588,004	(52,652,421)
Decrease in unearned reinsurance commission		(339,197)	(1,013,157)
(Decrease)/increase in insurance and other receivables		(13,762,631)	8,673,538
Decrease in trade and other payables		(12,701,250)	(8,143,478)
Proceeds on maturity of debt securities		-	18,332,500
Proceeds from disposal of financial assets at fair value through profit or loss	6	-	6,267
<b>Cash used in operations</b>		<b>(1,057,010)</b>	<b>(14,243,931)</b>

#### 22 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The number of ordinary shares outstanding during the period was 400,000,000 shares. No earnings per share is computed for the comparative period presented in view of the losses incurred.

## Al Khazna Insurance Company P.S.C.

### Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)

#### 23 Related party balances and transactions

Related parties comprise the directors, key management personnel and businesses controlled by the directors or over which they exercise significant management influence.

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
<b>Related party balances</b>			
Insurance receivables (Note 8)	<u>17,860,505</u>	<u>16,095,101</u>	<u>15,764,568</u>

#### Related party transactions

During the period, the Group entered into the following significant transactions with related parties in the ordinary course of business at terms and conditions agreed upon between the parties.

	Three months ended 31 March	
	2012 AED Reviewed	2011 AED Reviewed
Net premiums written	<u>3,298,033</u>	<u>3,941,295</u>
Claims paid	<u>292,241</u>	<u>133,601</u>
<b>Key management compensation</b>		
Key management compensation	1,546,023	2,223,694
CEO remuneration	249,999	249,999
	<u>1,796,022</u>	<u>2,473,693</u>

#### 24 Guarantees

	31 March 2012 AED Reviewed	31 December 2011 AED Audited	31 March 2011 AED Reviewed
Guarantees	<u>5,752,167</u>	<u>11,361,415</u>	<u>7,713,397</u>

The above were issued in the ordinary course of business.

## **Al Khazna Insurance Company P.S.C.**

### **Notes to the condensed consolidated interim financial information for the three months ended 31 March 2012 (continued)**

#### **25 Events after the reporting period**

At the Annual General Meeting on 17 April 2012, the shareholders of the Company approved a dividend payment of 2.5% of share capital for the year ended 31 December 2011. This amounts to AED 10 million, to be distributed through the issuance of bonus shares.

The legal formalities and procedures for issuance of the bonus share have not been finalised at the date of this report. As the authorised and paid share capital is AED 400 million composed of 400 million shares each of AED 1 par value, the issuance of bonus shares requires the amendment of the Articles of Association to increase the number of authorised shares from 400 million shares to 410 million shares.