

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

**Review report and interim
financial information for the
period ended 30 September 2014**

AL KHAZNA INSURANCE COMPANY P.S.C.

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for the period ended 30 September 2014**

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**Report of the Board of Directors
for the period ended 30 September 2014**

The Board of Directors of Al Khazna Insurance Company P.S.C. is pleased to submit its third quarterly report of 2014 together with the interim financial information for the nine months ended 30 September 2014.

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

	30 September 2014 (unaudited) AED	30 September 2013 (unaudited) AED
Gross premium written	100,432,449	80,122,712
Net underwriting income before operating expenses	10,958,166	14,910,991
Operating expenses	(19,690,897)	(23,426,019)
Net underwriting loss	(8,732,731)	(8,515,028)
Net investment loss	(36,884,412)	(83,947,297)
Finance costs	(13,654,246)	(2,018,032)
Loss for the period	(62,456,104)	(98,391,280)

	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED
Total assets	868,872,576	882,360,042
Total shareholders' equity	415,472,213	478,636,085

Director
11 November 2014



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Al Khazna Insurance Company P.S.C. (the “Company”) and its subsidiaries (the “Group”) as of 30 September 2014 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, “*Interim Financial Reporting*.” Our responsibility is to express a conclusion on this 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.

Basis for qualified conclusion

1. As stated in note 4, during the year ended 31 December 2013, all of the Group’s investment properties were revalued by a valuation expert, and their fair value was determined to be AED 330.8 million as at 31 December 2013. The impact of this change in fair value estimate as at 31 December 2013 resulted in a decrease in investment properties by AED 129.5 million compared to their carrying amount as of 31 December 2012 with the corresponding loss recognised in the consolidated statement of profit or loss for the year ended 31 December 2013. Management did not complete its assessment on whether the full fair value loss related to the comparatives’ period presented in this interim financial information or to earlier periods. As there is no sufficient evidence available at the date of this report, we were unable to determine whether the profit for the period ended 30 September 2013 and opening retained earnings as at 1 January 2013 are fairly stated.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

Basis for qualified conclusion (continued)

2. As disclosed in note 8, Insurance and other receivables include a balance of prepaid rent of AED 10.6 million (31 December 2013: AED 14.2 million) relating to a leased building which management intends to use for a university project. The future economic benefits from the leased property will flow to the Group only if the university project materializes. At the date of this report, the project status and documentation in place do not provide sufficient evidence that future economic benefits will probably flow to the Group. Accordingly, we were unable to satisfy ourselves that the prepaid rent reflected in the accompanying condensed consolidated statement of financial position is fairly stated.

Qualified conclusion

Based on our review, except for possible effects of the matters described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34 *Interim Financial Reporting*.

Emphasis of matter

Without qualifying our conclusion, we draw attention to the fact, as explained in Note 14, that the Group has been granted a bank facility which currently has a carrying amount of AED 201.2 million, for which the Group is disputing the interest charged by the Bank since 2009. The dispute arose when the Bank changed the interest charged on the facility to a rate higher than that stated in the loan agreement. The excess interest charged up to 30 September 2014 is approximately AED 18.1 million. This has not been recorded by the Group as a finance cost. The Group is currently in negotiations with the Bank to adjust the interest being charged on the Bank loan; however no formal consent has been obtained from the Bank. Thus, the final outcome of the matter cannot presently be determined.

Deloitte & Touche (M.E.)

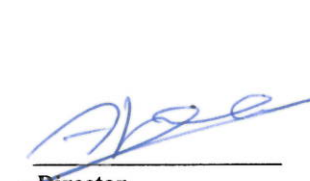


Georges F. Najem
Registration No. 809
11 November 2014



**Condensed consolidated statement of financial position
as at 30 September 2014**

	Notes	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED
ASSETS			
Property and equipment		6,420,752	6,832,319
Investment properties	4	330,024,000	330,764,000
Investments in securities			
- Available-for-sale (AFS) investments	5	76,197,441	76,905,209
- Investments designated at fair value through profit or loss (FVTPL)	5	216,838,917	265,604,878
Statutory deposit	6	10,000,000	10,000,000
Re-insurance contract assets	7	101,976,061	80,562,263
Insurance and other receivables	8	88,997,043	77,642,321
Prepayments		1,510,450	992,427
Deferred acquisition costs		2,023,011	1,140,225
Term deposits		1,774,848	1,738,020
Bank and cash	9	33,110,053	30,178,380
Total assets		868,872,576	882,360,042
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	420,000,000	420,000,000
Share premium		1,788,422	1,788,422
Legal reserve	11	62,145,349	62,145,349
Regulatory reserve	12	60,103,225	60,103,225
Fair value reserve		31,151,650	31,859,418
Revaluation reserve		11,736,841	11,736,841
Accumulated losses		(171,453,274)	(108,997,170)
Total capital and reserves		415,472,213	478,636,085
LIABILITIES			
Provision for end of service benefit		4,248,437	4,024,237
Insurance contract liabilities	7	152,616,172	116,676,651
Insurance and other payables	13	85,996,269	84,709,351
Bank borrowings	14	201,207,013	188,811,730
Re-insurance deposit retained		3,689,797	4,250,820
Unearned reinsurance commission		3,213,855	2,584,337
Accruals and deferred income		2,428,820	2,666,831
Total liabilities		453,400,363	403,723,957
Total equity and liabilities		868,872,576	882,360,042



Director



Managing Director



Chief Financial Officer

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

**Condensed consolidated statement of profit or loss (unaudited)
for the period ended 30 September 2014**

	Notes	3 months ended 30 September		9 months ended 30 September	
		2014 AED	2013 AED	2014 AED	2013 AED
Gross premiums written		45,667,240	31,061,443	100,432,449	80,122,712
Change in unearned premium provision		(17,753,084)	(8,274,012)	(24,021,762)	(4,238,799)
Premium income earned		27,914,156	22,787,431	76,410,687	75,883,913
Reinsurance premiums ceded		(25,875,150)	(24,262,763)	(54,694,628)	(54,503,775)
Change in unearned premium provision		9,607,351	10,963,183	9,760,715	11,744,197
Re-insurance ceded		(16,267,799)	(13,299,580)	(44,933,913)	(42,759,578)
Net earned premiums		11,646,357	9,487,851	31,476,774	33,124,335
Gross claims incurred		(15,900,268)	(9,672,523)	(44,822,064)	(37,755,033)
Reinsurance share of claims incurred		5,801,481	6,177,806	20,964,773	16,890,511
Net claims incurred		(10,098,787)	(3,494,717)	(23,857,291)	(20,864,522)
Commission expenses - net		(599,471)	(565,249)	(1,922,195)	(2,139,621)
Commission income		2,085,850	1,595,257	5,260,878	4,790,799
Operating expenses		(6,350,725)	(6,258,939)	(19,690,897)	(23,426,019)
Net underwriting (loss)/income		(3,316,776)	764,203	(8,732,731)	(8,515,028)
Net investment loss	15	(8,880,199)	(85,122,739)	(36,884,412)	(83,947,297)
Operating expenses		(1,180,055)	(1,314,232)	(3,555,156)	(4,187,261)
Finance costs		(4,754,180)	(2,369,836)	(13,654,246)	(2,018,032)
Other income		112,384	416,375	370,441	276,338
Loss for the period attributable to equity holders of the parent company	17	(18,018,826)	(87,626,229)	(62,456,104)	(98,391,280)
Basic and diluted loss per share	18	(0.042)	(0.209)	(0.149)	(0.234)

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 30 September 2014**

	Note	3 months ended 30 September		9 months ended 30 September	
		2014 AED	2013 AED	2014 AED	2013 AED
Loss for the period		(18,018,826)	(87,626,229)	(62,456,104)	(98,391,280)
Other comprehensive income/(loss):					
<i>Items that will be reclassified subsequently to profit or loss:</i>					
Net fair value gain/(loss) on AFS investments	5	1,517,293	332,665	(707,768)	6,485,262
Total comprehensive loss for the period attributable to equity holders of the parent company		(16,501,533)	(87,293,564)	(63,163,872)	(91,906,018)

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

AL KHAZNA INSURANCE COMPANY P.S.C.

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Condensed consolidated statement of changes in equity
for the period ended 30 September 2014

	Share capital AED	Share premium AED	Legal reserve AED	Regulatory reserve AED	Revaluation reserves AED	Retained earnings/ (accumulated losses) AED	Attributable to the equity holders of the company AED
Balance at 1 January 2013 (audited)	410,000,000	1,785,315	62,145,349	60,103,225	29,898,527	63,869,119	627,801,535
Loss for the period	-	-	-	-	-	(98,391,280)	(98,391,280)
Other comprehensive income	-	-	-	-	6,485,262	-	6,485,262
Total comprehensive income/(loss)	-	-	-	-	6,485,262	(98,391,280)	(91,906,018)
Dividends distribution through issuance of bonus shares	10,000,000	3,107	-	-	-	(10,000,000)	3,107
Balance at 30 September 2013 (unaudited)	420,000,000	1,788,422	62,145,349	60,103,225	36,383,789	(44,522,161)	535,898,624
Balance at 1 January 2014 (audited)	420,000,000	1,788,422	62,145,349	60,103,225	43,596,259	(108,997,170)	478,636,085
Loss for the period	-	-	-	-	-	(62,456,104)	(62,456,104)
Other comprehensive loss	-	-	-	-	(707,768)	-	(707,768)
Total comprehensive loss	-	-	-	-	(707,768)	(62,456,104)	(63,163,872)
Balance at 30 September 2014 (unaudited)	420,000,000	1,788,422	62,145,349	60,103,225	42,888,491	(171,453,274)	415,472,213

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

**Condensed consolidated statement of cash flows (unaudited)
for the period ended 30 September 2014**

	9 months ended 30 September	
	2014	2013
	AED	AED
Cash flows from operating activities		
Loss for the period	(62,456,104)	(98,391,280)
Adjustments for:		
Depreciation of property and equipment	553,559	1,081,949
Net fair value loss on investment properties	740,000	101,447,000
Impairment on AFS investments	-	494,166
Net fair value loss on investments at FVTPL	48,765,961	1,211,776
Dividends from investments in securities	(9,270,897)	(11,880,577)
Interest income	(55,644)	(74,891)
Finance costs	13,654,246	2,018,032
Loss on disposal of property, plant and equipment	(155,263)	52,095
Allowance for doubtful debts	1,822,740	1,673,285
Provision for employees' end of service benefit	555,164	859,247
Cash flow used in operating activities before movement in working capital	(5,846,238)	(1,509,198)
Net movement in deferred acquisition costs	(882,786)	339,953
Net movement in reinsurance contract assets	(21,413,798)	(5,624,532)
Net movement in insurance contract liabilities	35,939,521	(16,827,714)
Net movement in unearned reinsurance commissions	629,518	590,864
(Increase)/decrease in insurance and other receivables	(13,191,035)	10,426,199
Increase in prepayments	(518,023)	(1,164,113)
Increase/(decrease) in insurance and other payables	27,955	(286,214)
Decrease in reinsurance deposit retained	(561,023)	(2,325,307)
Decrease in accruals and deferred income	(238,011)	(2,071,883)
Cash used in operating activities	(6,053,920)	(18,451,945)
Employees' end of service benefit paid	(330,964)	(450,178)
Net cash used in operating activities	(6,384,884)	(18,902,123)
Cash flows from investing activities		
Movement in term deposits with original maturity of greater than three months	(36,828)	(45,520)
Payments to acquire property and equipment	(259,882)	(261,396)
Dividends received	9,270,897	11,880,577
Interest income received	69,217	89,585
Proceeds from disposal of property and equipment	273,153	-
Net cash generated from investing activities	9,316,557	11,663,246
Cash flows from financing activity		
Proceeds from issuance of ordinary shares	-	3,107
Net increase/(decrease) in cash and cash equivalents	2,931,673	(7,235,770)
Cash and cash equivalents at beginning of the period	30,178,380	41,065,532
Cash and cash equivalents at end of the period (note 19)	33,110,053	33,829,762

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

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014**

1 General

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

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

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

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

2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective

At the date of authorisation of these condensed consolidated financial statements, the following new and revised IFRSs were in issue but not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual improvements 2010-2012 covering amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38	1 July 2014
Annual improvements 2011-2013 covering amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40	1 July 2014
Amendment to IAS 19 <i>Employee Benefits</i> relating to defined benefit plans and employee contributions	1 July 2014
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendment to IFRS 11 <i>Joint Arrangements</i> relating to accounting for acquisitions of interests in joint ventures	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to Agriculture: Bearer Plants	1 January 2016
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
IFRS 9 <i>Financial Instruments</i> (as revised in 2010)	Not earlier than 1 January 2018
Amendment to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to transition to IFRS 9	When IFRS 9 is first applied
Amendments to IAS 39 <i>Financial Instruments</i>	When IFRS 9 is first applied

Management anticipates that these amendments will be adopted in the condensed consolidated financial statements for the initial period when they become effective. Management has not yet had the opportunity to consider the potential impact of the adoption of these amendments.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

3 Summary of significant accounting policies

3.1 Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, “*Interim Financial Reporting*” and also comply with the applicable requirements of the laws in the UAE.

3.2 Basis of preparation

The condensed consolidated financial statements are presented in UAE Dirhams (AED) since that is the currency in which the majority of the Group’s transactions are denominated.

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

As required by the Securities and Commodities Authority (“SCA”) notification dated 12 October 2008, accounting policies relating to investment securities and investment properties have been disclosed in Notes 3.4 to 3.5 below.

The accounting policies and estimates used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective 1 January 2014.

The following new and revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for future transactions or arrangements.

New and revised IFRSs

Summary of requirements

Amendments to IAS 32
*Financial Instruments:
Presentation*

The amendments provide guidance on the offsetting of financial assets and financial liabilities.

Amendments to IAS 36
Impairment of Assets relating to
recoverable amount disclosures
for non-financial assets

The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU’s recoverable amount has been determined on the basis of fair value less costs of disposal.

Amendments to IAS 39
*Financial Instruments:
Recognition and Measurement,
Novation of Derivatives and
Continuation of Hedge
Accounting*

The amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

3 Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

<u>New and revised IFRSs</u>	<u>Summary of requirements</u>
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 27 <i>Separate Financial Statements</i> - Guidance on Investment Entities	On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The objective of this project is to develop an exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead requiring the use of the fair value to measure those investments.
IFRIC 21 <i>Levies</i>	This Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.

Estimates

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

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies, and the key sources of estimates uncertainty were the same as those were applied to the consolidated financial statements as at and for the year ended 31 December 2013.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation

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

Name of subsidiary	Proportion of ownership		Country of incorporation	Principal activities
	2014	2013		
The Best Tenants LLC ***	99%	99%	UAE	To market, promote and deliver property management and advisory services.
Real Estate Academy Est. (Al Akarya Academy) **	100%	100%	UAE	To market, promote and delivery management and advisory services in respect of real estate.
Al Khazna Real Estate Est. *	100%	100%	UAE	To market, promote and deliver management and advisory services in respect of real estate.
Modern Academy Administrative Training LLC *	100%	100%	UAE	To provide business management training.
IT Academy LLC *	100%	100%	UAE	To provide business management training.
Real Estate Academy for Training LLC *	100%	100%	UAE	To provide business management training.
Academy of Tourism and Holidays LLC *	100%	100%	UAE	To provide training in the field of travel, tourism and hotel management.
First Deal Real Estate LLC ***	100%	100%	UAE	To manage investments in real estate.
Academy for Investment Est. *	100%	100%	UAE	To manage investments in real estate.
Under Writing Electronics Solutions Est. *	100%	100%	UAE	Data formatting, computer system and instruments filling services.
Tadawel Electronics Solutions Est. *	100%	100%	UAE	Software consultancy, storing and retrieving data.
Tel Fast Recruitment Agencies LLC *	99%	99%	UAE	Employment services – recruitment
Tel Fast Manpower Supply LLC *	99%	99%	UAE	Labourers supply services.

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

** These subsidiaries have not yet commenced operations and do not have trade licenses.

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

The ownership is held by the Company and its subsidiaries.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

3 Summary of significant accounting policies (continued)

3.4 Investments in securities

3.4.1 Investments at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

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

3.4.2 Available for sale (AFS) investments

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held to maturity, or financial assets at FVTPL. Available-for-sale investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gain and losses arising from changes in fair value are recognized directly in equity, until the security disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognized in equity are included in the net profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

3 Summary of significant accounting policies (continued)

3.4 Investment in securities (continued)

3.4.2 Available for sale (AFS) investments (continued)

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in 'net investment income' in the profit or loss.

3.5 Investment properties

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

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

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

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

4 Investment properties

Investment properties represent the fair value of lands with a total value of AED 160.3 million (31 December 2013: AED 161.1 million), and buildings with a value of AED 169.8 million (31 December 2013: AED 169.7 million) owned by the Group in Abu Dhabi, Al Ain and Mussaffah.

The fair value of the investment properties as of 30 September 2014 has been arrived at on the basis of valuations carried out by M/s Colliers International P.O. Box 71591, Dubai, United Arab Emirates, independent valuers not related to the Group. The valuations were arrived at by reference to market evidence of transactions of similar properties and income approach. In estimating the fair value of the properties, the highest and best use of the property is considered as their current use. The inputs used in the valuation are not based on observable market data and thus the valuation techniques were considered to be Level 3 valuation.

A building with a carrying value of AED 146 million (2013: AED 146 million) is mortgaged in favour of First Gulf Bank against the bank loan (note 14).

Included within investment property are two plots of land with a carrying value of AED 89.3 million (2013: AED 89.3 million) whose title was not transferred to the name of the Group, pending the settlement of the last installment. Also included within investment property is a plot of land valued at AED 10.8 million (2013: AED 11.6 million) whose transfer of title is currently being processed.

All investment properties are located in the United Arab Emirates.

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

	9 months ended 30 September	
	2014 (unaudited) AED	2013 (unaudited) AED
Rental income	4,773,601	8,409,548
Direct operating expenses	(709,931)	(736,429)
Net income from investment properties (note 15)	4,063,670	7,673,119

Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)

5 Investments in securities

	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED
AFS investments		
Quoted UAE equity securities	6,929,531	6,124,587
Unquoted UAE equity securities	69,267,910	70,780,622
	<u>76,197,441</u>	<u>76,905,209</u>
Investments at FVTPL		
Quoted UAE securities	171,652,020	198,303,813
Quoted foreign equity securities	45,186,897	67,301,065
	<u>216,838,917</u>	<u>265,604,878</u>
The movement in the investments in securities is as follows:		
	AED	AED
AFS investments		
Fair value at 1 January	76,905,209	63,701,643
(Decrease)/increase in fair value taken to other comprehensive income	(707,768)	13,697,732
Impairment losses on unlisted UAE equity securities	-	(494,166)
Fair value at the end of the reporting period/year	<u>76,197,441</u>	<u>76,905,209</u>
Investments at FVTPL		
Fair value at 1 January	265,604,878	282,359,551
Decrease in fair value taken to profit or loss	(48,765,961)	(16,754,673)
Fair value at the end of the reporting period/year	<u>216,838,917</u>	<u>265,604,878</u>
The geographical distribution of investments is as follows:		
	AED	AED
Within UAE	247,849,461	275,209,022
Outside UAE	45,186,897	67,301,065
	<u>293,036,358</u>	<u>342,510,087</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

6 Statutory deposit

In accordance with the requirements of UAE Federal Law No.6/2007 covering insurance companies and agencies, the Company maintains a bank deposit of AED 10,000,000 (31 December 2013: AED 10,000,000) which cannot be utilised without the consent of the UAE Insurance Authority.

7 Insurance contract liabilities and re-insurance contract assets

	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED
Insurance liabilities		
- Claims reported unsettled	79,771,410	67,600,221
- Claims incurred but not reported	2,288,000	2,541,430
- Unearned premiums	70,556,762	46,535,000
	<hr/>	<hr/>
	152,616,172	116,676,651
	<hr/>	<hr/>
Recoverable from re-insurers		
- Claims reported unsettled	65,091,467	53,246,286
- Claims incurred but not reported	838,715	1,030,813
- Unearned premiums	36,045,879	26,285,164
	<hr/>	<hr/>
	101,976,061	80,562,263
	<hr/>	<hr/>
Insurance liabilities - net		
- Claims reported unsettled	14,679,943	14,353,935
- Claims incurred but not reported	1,449,285	1,510,617
- Unearned premiums	34,510,883	20,249,836
	<hr/>	<hr/>
	50,640,111	36,114,388
	<hr/>	<hr/>

Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)

8 Insurance and other receivables

	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED
Due from policy holders	68,863,404	50,902,966
Due from agents, brokers and intermediaries	19,561,349	20,892,928
Due from insurance companies	8,906,707	11,663,276
Less: provision for impairment of receivables	(26,996,067)	(27,935,306)
	<u>70,335,393</u>	<u>55,523,864</u>
Deposits and other receivables	12,936,028	12,955,536
Less: provision for impairment of other receivables	(6,285,000)	(6,285,000)
	<u>6,651,028</u>	<u>6,670,536</u>
Prepaid rent	10,620,462	14,160,616
Rent receivables	1,390,160	1,287,305
	<u>88,997,043</u>	<u>77,642,321</u>

Prepaid rent represents a 5 year lease agreement that commenced on 19 November 2011 for a building in Dubai World Center which management intends to use for a university project.

The Group signed a Memorandum of Understanding (MoU) with Abu Dhabi Holding, a related party, on 27 March 2013. As per the MoU, both parties agreed to enter into a partnership to establish and operate the university, whereby the Group contribution would be providing the leased premises to the partnership for which the prepaid rent of AED 10.62 million is outstanding as at 30 September 2014 (31 December 2013: AED 14.2 million). The partnership has not been established as at 30 September 2014, and is subject to obtaining regulatory approvals and finalisation of legal documentation.

9 Bank and cash

	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED
Balances held at UAE banks	31,378,693	28,500,998
Balances held at foreign banks abroad	1,527,380	1,542,372
Cash on hand	203,980	135,010
	<u>33,110,053</u>	<u>30,178,380</u>

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

10 Share capital	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED
Authorised: 420,000,000 shares of AED 1 each	420,000,000	420,000,000
Allotted, issued and fully paid: 420,000,000 shares of AED 1 each	420,000,000	420,000,000
11 Legal reserve		
<p>In accordance with the UAE Federal Law number (8) of 1984 (as amended) concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.</p>		
12 Regulatory reserve		
<p>In accordance with Article 57 of the Company's Articles of Association, 10% of the Company's annual net profit is transferred to the regulatory reserve. This reserve may be used for such purposes as the Directors deem fit.</p>		
13 Insurance and other payables	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED
Due to insurance companies	24,567,010	21,749,042
Other insurance payables	32,559,263	33,711,585
Dividends payable	18,049,064	18,053,961
Accruals and other payables	10,820,932	11,194,763
	85,996,269	84,709,351

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

14 Bank borrowings	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED
Bank loan	51,357,467	79,978,428
Bank overdrafts	149,849,546	108,833,302
	<u>201,207,013</u>	<u>188,811,730</u>

The loan is from First Gulf Bank and is repayable in semi-annual installments of AED 15.8 million each up to 2017. The loan carries interests at a rate of 6 month EIBOR + 1.50%. The Group has provided First Gulf Bank with a primary mortgage over AKIC Tower, classified under the investment properties, fair valued at AED 146 million (31 December 2013: AED 146 million).

Beginning 2009, the bank changed the interest rates on the bank loan and charged the Group interest rate greater than what was 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 bank has opened a bank overdraft facility in the name of the Group for the repayment of the eight due installments on which the group defaulted from 2011 to 30 September 2014. The outstanding overdraft balance as at 30 September 2014 amounted to AED 149.8 million (31 December 2013: AED 108.8 million). The Bank charged an interest at a rate of 10% on this overdraft facility.

Management believes that the 10% interest charged on the overdraft facility is excessive and the bank would not be eligible for more than 3% interest over the overdraft facility as a penalty for the due payments as per the original agreement.

The excess interest charged to date on the loan and the overdraft facility is approximately AED 18.1 million (31 December 2013: AED 15.9 million). This has not been recorded by the Group as a finance cost.

The Group is currently in the process of finalizing negotiation with the bank to adjust the interest being charged on the bank loan to the originally mandated interest as per the agreement.

The final consent has not yet obtained from the bank but management is confident that the bank will adjust the interest according to the original terms of the contract.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

15 Net investment income

	3 months ended 30 September		9 months ended 30 September	
	2014 (unaudited) AED	2013 (unaudited) AED	2014 (unaudited) AED	2013 (unaudited) AED
Interest on term deposits	6,948	9,991	55,644	74,891
Net income from investment properties (note 4)	1,293,601	2,165,111	4,063,670	7,673,119
Net fair value loss on investment properties	-	(105,888,650)	(740,000)	(101,447,000)
Impairment on available for sale investments	-	(446,558)	-	(494,166)
Net fair value (loss)/gain on investments at FVTPL	(10,935,424)	19,239,940	(48,765,961)	(1,211,776)
Dividends from investments in securities	1,010,703	2,897	9,270,897	11,880,577
Other investment losses – net	(256,027)	(205,470)	(768,662)	(422,942)
	(8,880,199)	(85,122,739)	(36,884,412)	(83,947,297)

16 Related parties

Related parties comprise the major Shareholders, the Directors and key management personnel of the Group and those entities in which they have the ability to control or exercise significant influence in financial and operation decisions. The Group maintains significant balances with these related parties which arise from commercial transactions as follows:

	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED
Due from policyholders	1,672,989	914,146
Other receivables	3,351,341	3,342,182
Due to policyholders	13,783	4,477,743

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

16 Related parties (continued)

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

	3 months ended 30 September		9 months ended 30 September	
	2014 (unaudited) AED	2013 (unaudited) AED	2014 (unaudited) AED	2013 (unaudited) AED
Net premiums written	<u>919,477</u>	<u>466,588</u>	<u>20,905,013</u>	<u>16,056,479</u>
Claims paid	<u>297,437</u>	<u>2,296,643</u>	<u>4,554,568</u>	<u>4,635,787</u>
Remuneration of key management personnel	<u>1,653,399</u>	<u>1,753,871</u>	<u>4,924,955</u>	<u>5,587,552</u>

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

17 Loss for the period

Loss for the period is arrived after charging the following:

	3 months ended 30 September		9 months ended 30 September	
	2014 (unaudited) AED	2013 (unaudited) AED	2014 (unaudited) AED	2013 (unaudited) AED
Staff costs	<u>5,148,163</u>	<u>5,049,094</u>	<u>15,592,847</u>	<u>16,217,048</u>
Depreciation on property and equipment	<u>166,765</u>	<u>350,389</u>	<u>553,559</u>	<u>1,081,949</u> M

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

18 Basic and diluted loss per share

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

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	<u>2014</u> <u>(unaudited)</u> <u>AED</u>	<u>2013</u> <u>(unaudited)</u> <u>AED</u>	<u>2014</u> <u>(unaudited)</u> <u>AED</u>	<u>2013</u> <u>(unaudited)</u> <u>AED</u>
Loss for the period (AED)	<u>(18,018,826)</u>	<u>(87,626,229)</u>	<u>(62,456,104)</u>	<u>(98,391,280)</u>
Weighted number of ordinary shares in issue throughout the period	<u>420,000,000</u>	<u>420,000,000</u>	<u>420,000,000</u>	<u>420,000,000</u>
Basic and diluted loss per share (AED)	<u>(0.042)</u>	<u>(0.209)</u>	<u>(0.149)</u>	<u>(0.234)</u>

As of 30 September 2014 and 2013, the Group has not issued any instruments that have an impact on earnings per share when exercised and accordingly diluted earnings per share are the same as basic earnings per share.

19 Cash and cash equivalents

	<u>30 September</u> <u>2014</u> <u>(unaudited)</u> <u>AED</u>	<u>30 September</u> <u>2013</u> <u>(unaudited)</u> <u>AED</u>
Term deposits	<u>1,774,848</u>	<u>1,738,020</u>
Bank balances and cash	<u>33,110,053</u>	<u>33,829,762</u>
Less: Term deposits with original maturity of greater than three months	<u>(1,774,848)</u>	<u>(1,738,020)</u>
	<u><u>33,110,053</u></u>	<u><u>33,829,762</u></u>

For the purpose of the statement of cash flows, bank overdraft amounting to AED 149.8 million (30 September 2013: AED 97.3 million) was excluded from cash and cash equivalents since it relates to the financing of the bank loan (Note 14) and is included within the financing activities.

20 Seasonality of results

No income of seasonal nature was recorded in the income statement for the nine-month period ended 30 September 2014 and 2013.

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

21 Contingent liabilities

At 30 September 2014, the Group had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 2.67 million (31 December 2013: AED 7.1 million).

22 Segment information

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

Underwriting of general insurance business – incorporating all classes of general insurance such as; fire, marine, motor, general accident and miscellaneous.

Investments – Incorporating investments in marketable equity securities, term deposits with banks and investment properties and other securities.

Primary segment information - business segment

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

	30 September (unaudited)					
	Underwriting		Investments		Total	
	2014 AED	2013 AED	2014 AED	2013 AED	2014 AED	2013 AED
Segment revenue	105,693,327	84,913,511	(36,174,481)	(83,210,868)	69,518,846	1,702,643
Segment result	(8,732,731)	(8,515,028)	(40,439,568)	(88,134,558)	(49,172,299)	(96,649,586)
Unallocated expenses					(13,283,805)	(1,741,694)
Loss for the period					(62,456,104)	(98,391,280)

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

22 Segment information (continued)

Primary segment information - business segment (continued)

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

	Underwriting		Investments		Total	
	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED	30 September 2014 (unaudited) AED	31 December 2013 (audited) AED
Segment assets	201,760,650	167,169,555	634,835,206	685,012,107	836,595,856	852,181,662
Unallocated assets					32,276,720	30,178,380
Total assets					868,872,576	882,360,042
Segment liabilities	231,715,467	194,191,435	203,635,833	191,478,561	435,351,300	385,669,996
Unallocated liabilities					18,049,063	18,053,961
Total liabilities					453,400,363	403,723,957

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

Secondary segment information - revenue from underwriting departments

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

	9 months ended 30 September	
	2014 (unaudited) AED	2013 (unaudited) AED
Motor	20,321,143	18,472,578
Engineering	5,592,354	6,800,882
Fire and General Accidents	32,527,644	34,098,046
Marine and Aviation	17,837,668	16,870,728
Employee Benefits, Medical and Personal Assurance	29,414,518	8,671,277
	105,693,327	84,913,511

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

23 Fair value measurement

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 September 2014 (unaudited)	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
ASSETS MEASURED AT FAIR VALUE				
At fair value through profit or loss				
Quoted equity securities	216,838,917	-	-	216,838,917
AFS financial assets				
Quoted equity securities	6,929,531	-	-	6,929,531
Unquoted equity securities	-	11,225,500	58,042,410	69,267,910
	<u>6,929,531</u>	<u>11,225,500</u>	<u>58,042,410</u>	<u>76,197,441</u>
31 December 2013 (audited)	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
ASSETS MEASURED AT FAIR VALUE				
At fair value through profit or loss				
Quoted equity securities	265,604,878	-	-	265,604,878
AFS financial assets				
Quoted equity securities	6,124,587	-	-	6,124,587
Unquoted equity securities	-	10,500,758	60,279,864	70,780,622
	<u>6,124,587</u>	<u>10,500,758</u>	<u>60,279,864</u>	<u>76,905,209</u>

During the period, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements (2013: None).

**Notes to the condensed consolidated financial statements
for the period ended 30 September 2014 (continued)**

23 Fair value measurement (continued)

The following table shows a reconciliation of all movements in the fair value of financial assets categorised within Level 3 between the beginning and the end of the period:

	30 September 2014 (unaudited) AED	30 September 2013 (unaudited) AED
Opening balance	60,279,864	52,095,257
Net change in fair value	(2,237,454)	4,034,724
Closing balance	<u>58,042,410</u>	<u>56,129,981</u>

Set out below is a comparison of the carrying amount and fair values of financial instruments which are not carried at fair value as at 30 September 2014:

	<u>30 September 2014 (unaudited)</u>		<u>31 December 2013 (audited)</u>	
	Fair value AED	Carrying amount AED	Fair value AED	Carrying amount AED
Financial assets				
Statutory deposit	10,000,000	10,000,000	10,000,000	10,000,000
Insurance and other receivables	88,997,043	88,997,043	77,642,321	77,642,321
Term deposits	1,774,848	1,774,848	1,738,020	1,738,020
Bank and cash	33,110,053	33,110,053	30,178,380	30,178,380
	<u>133,881,944</u>	<u>133,881,944</u>	<u>119,558,721</u>	<u>119,558,721</u>
Financial liabilities				
Insurance and other payables	85,996,269	85,996,269	84,709,351	84,709,351
Bank borrowings	201,207,013	201,207,013	188,811,730	188,811,730
Re-insurance deposit retained	3,689,797	3,689,797	4,250,820	4,250,820
	<u>290,893,079</u>	<u>290,893,079</u>	<u>277,771,901</u>	<u>277,771,901</u>

24 Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 11 November 2014.