

Al Khazna Insurance Company
(Public Shareholding Company)

**Condensed consolidated interim
financial information for the
six months ended 30 June 2012
(Unaudited)**

Al Khazna Insurance Company
(Public Shareholding Company)

Condensed consolidated interim financial information
for the six months ended 30 June 2012

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Al Khazna Insurance Company
(Public Shareholding Company)

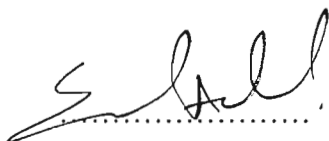
Board of Directors' report for the six months ended 30 June 2012

The Board of Directors of Al Khazna Insurance Company P.S.C. is pleased to submit its second quarter of 2012, which shows as below that the underwriting surplus decreased from AED 16 million for the six months period ended 30 June 2011 to AED 15.7 million for the six months period ended 30 June 2012, with a percentage of 2%, The net profit decreased from AED 13.8 million for the six months period ended 30 June 2011 to AED 11.7 million for the six months period ended 30 June 2012, with a percentage of 14.7%

	Six months period ended 30 June		
	2012	2011	%
	AED	AED	
Condensed consolidated interim income statement summary			
Gross written premium	94,034,971	55,645,525	69%
Net underwriting results	15,704,039	16,026,154	-2%
General and administrative expenses	23,567,086	21,947,083	7.4%
Net investment and other income	25,702,852	26,623,268	-3.5%
Net profit for the period	11,757,767	13,793,757	-14.7%
Basic earnings per share	0.029	0.034	
	30 June 2012	30 June 2011	
	AED	AED	
Condensed consolidated interim statement of financial position			
Shareholders equity	626,869,587	639,905,783	
Total assets	1,089,072,846	1,126,449,877	

All the indicators point on improvement in the technical performance and control claims and the company expects an improvement in the results of the investment sector for the current year compared with 2011.

We are confident that 2012 will be another good financial year for the company's business with regard to insurance business.



Director

...6. August 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 30 June 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 six 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.

Basis for qualified conclusion

Insurance and other receivables includes a balance of prepaid rent of AED 21.3 million which should be written off since there is no economic benefit generated from the leased asset. This has the effect of overstating insurance and other receivables and profit for the period by AED 21.3 million.


Qualified conclusion

Based on our review, except for the matter referred to in the basis for qualified conclusion paragraph, 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."

Emphasis of matter

Without further qualifying our conclusion we draw attention to the fact, as explained in Note 15, that the Group has been granted a bank facility which currently has a carrying amount of AED 117 million, for which the Group is disputing the interest charged by the Bank since 2009. The dispute has arisen as the Bank changed the interest charged on the facility to a rate higher than that stipulated in the loan agreement. The excess interest charged to date is approximately AED 11.1 million. 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.

PricewaterhouseCoopers
...7... August 2012


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

PricewaterhouseCoopers, Abu Dhabi Trade Centre, Level 9, East Tower, PO Box 45263, Abu Dhabi, United Arab Emirates
T: +971 (0)2 694 6800, F: +971 (0)2 645 6610, www.pwc.com/middle-east

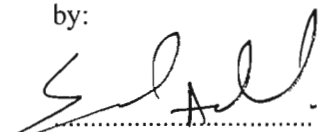
W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

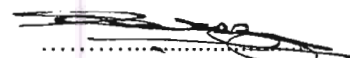
Al Khazna Insurance Company P.S.C.

Condensed consolidated interim statement of financial position

	Notes	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 2011 AED Reviewed
ASSETS				
Property and equipment	4	8,359,426	9,145,609	10,091,106
Investment properties	5	471,915,401	472,644,824	461,442,935
Financial assets				
- Available-for-sale	6	63,276,128	63,087,384	136,674,512
- At fair value through profit or loss	6	259,939,272	248,927,782	206,407,674
Advances		-	-	23,601,026
Insurance and other receivables	7	125,825,465	126,636,633	121,560,323
Reinsurance contracts	8	107,551,243	111,710,903	131,556,688
Deferred acquisition costs	20	2,946,720	1,604,106	1,931,853
Bank deposits with an original maturity of more than 3 months	9	11,681,542	11,634,455	11,634,455
Cash and cash equivalents	10	37,577,649	14,771,192	21,549,305
Total assets		1,089,072,846	1,060,162,888	1,126,449,877
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	11	410,000,000	400,000,000	400,000,000
Share premium		1,785,314	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	17,382,147	16,444,208	40,188,683
Revaluation reserve		11,736,841	11,736,841	11,736,841
Retained earnings		67,794,453	66,036,686	71,807,509
Total capital and reserves attributable to the Company's equity holders		626,869,587	614,171,979	639,905,783
LIABILITIES				
Insurance liabilities	8	189,929,060	169,912,589	199,344,768
Unearned reinsurance commission	18	3,516,466	3,226,177	4,049,546
Retirement benefit obligations	14	3,440,711	3,025,318	2,882,325
Bank borrowings	15	170,231,795	161,991,345	171,493,317
Trade and other payables	16	95,085,227	107,835,480	108,774,138
Total liabilities		462,203,259	445,990,909	486,544,094
Total equity and liabilities		1,089,072,846	1,060,162,888	1,126,449,877

The condensed consolidated interim financial information was authorised for issue on ...6. August 2012
by:


.....
Director


.....
CEO

Al Khazna Insurance Company P.S.C.

Condensed consolidated interim income statement

	Notes	Three months ended 30 June		Six months ended 30 June	
		2012 AED Reviewed	2011 AED Reviewed	2012 AED Reviewed	2011 AED Reviewed
Insurance premium revenue	17	35,234,799	32,144,944	67,243,081	80,584,920
Insurance premium ceded to reinsurers	17	(16,205,434)	(17,383,055)	(31,866,182)	(39,471,806)
Net insurance premium revenue	17	19,029,365	14,761,889	35,376,899	41,113,114
Reinsurance commissions	18	1,904,201	2,434,549	3,937,072	5,488,058
Investment income		9,703,032	10,811,905	10,443,847	10,945,631
Net fair value loss on investment property		(2,468,443)	-	(729,423)	-
Net realised loss on financial assets	6	(386,827)	(32,690)	(749,195)	(949,630)
Net fair value gain/(loss) on financial assets at fair value through profit or loss	6	(40,151,878)	18,411,270	11,011,490	6,528,742
Net rental income from investment property		2,746,530	4,921,348	5,726,133	10,098,525
Net income		(9,624,020)	51,308,271	65,016,823	73,224,440
Insurance claims and loss adjustment expenses	19	(28,529,329)	(20,186,183)	(38,141,219)	(49,179,622)
Insurance claims and loss adjustment expenses recovered from reinsurers	19	12,856,429	7,987,162	17,682,587	21,172,335
Net insurance claims		(15,672,900)	(12,199,021)	(20,458,632)	(28,007,287)
Expenses for acquisition of insurance contracts	20	(1,594,392)	(1,284,829)	(3,151,300)	(2,567,731)
Expenses for marketing and administration		(11,344,500)	(12,186,703)	(21,266,982)	(21,947,083)
Amortisation of prepaid rent		(1,150,052)	-	(2,300,104)	-
Expenses		(29,761,844)	(25,670,553)	(47,177,018)	(52,522,101)
Results of operating activities		(39,385,864)	25,637,718	17,839,805	20,702,339
Finance costs		(3,137,392)	(3,602,705)	(6,082,038)	(6,908,582)
Profit/(loss) for the period		(42,523,256)	22,035,013	11,757,767	13,793,757
Attributable to:					
- Equity holders of the Company		(42,523,256)	22,035,013	11,757,767	13,793,757
Basic earnings per share	21	-	0.055	0.029	0.034

The notes on pages 8 to 33 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 30 June		Six months ended 30 June	
		2012 AED Reviewed	2011 AED Reviewed	2012 AED Reviewed	2011 AED Reviewed
Profit/(loss) for the period		<u>(42,523,256)</u>	<u>22,035,013</u>	<u>11,757,767</u>	<u>13,793,757</u>
Other comprehensive income					
Net fair value gain/(loss) on available-for-sale financial assets	6	(930,938)	7,929,998	937,939	1,479,545
Fair value loss transferred to income statement on impairment	6	-	32,690	-	949,630
Total other comprehensive income/(loss)		<u>(930,938)</u>	<u>7,962,688</u>	<u>937,939</u>	<u>2,429,175</u>
Total comprehensive income/(loss) for the period		<u><u>(43,454,194)</u></u>	<u><u>29,997,701</u></u>	<u><u>12,695,706</u></u>	<u><u>16,222,932</u></u>
Attributable to:					
- Owners of the Company		<u><u>(43,454,194)</u></u>	<u><u>29,997,701</u></u>	<u><u>12,695,706</u></u>	<u><u>16,222,932</u></u>

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
Profit for the period	-	-	-	-	-	13,793,757	13,793,757
Other comprehensive income	-	-	-	-	2,429,175	-	2,429,175
Total comprehensive income for the period	-	-	-	-	2,429,175	13,793,757	16,222,932
At 30 June 2011	400,000,000	1,783,412	58,122,000	56,267,338	51,925,524	71,807,509	639,905,783
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	-	-	-	-	-	11,757,767	11,757,767
Other comprehensive income	-	-	-	-	937,939	-	937,939
Total comprehensive income for the period	-	-	-	-	937,939	11,757,767	12,695,706
Transactions with Owners:							
Dividend distribution through issuance of bonus shares (Note 12)	10,000,000	1,902	-	-	-	(10,000,000)	1,902
	10,000,000	1,902	-	-	-	(10,000,000)	1,902
At 30 June 2012	410,000,000	1,785,314	60,106,478	58,064,354	29,118,988	67,794,453	626,869,587

The notes on pages 8 to 33 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	Six months ended 30 June	
		2012 AED Reviewed	2011 AED Reviewed
Cash generated from/(used in) operations	24	10,665,804	(39,122,184)
Interest received		51,660	-
Dividend received		10,235,187	736,979
Net cash generated from/(used in) operating activities		<u>20,952,651</u>	<u>(38,385,205)</u>
Cash flows from investing activities			
Increase in bank deposits with original maturity of more than three months		(47,087)	(42,900)
Purchase of property and equipment	4	(215,001)	(1,485,037)
Proceeds from sale of property and equipment		-	21,963
Proceeds on maturity of debt securities		-	18,332,500
Net cash (used in)/generated from investing activities		<u>(262,088)</u>	<u>16,826,526</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		1,902	-
Increase in bank loan		-	6,278,005
Dividends paid		-	(8,335,909)
Interest paid		-	(6,908,582)
Net cash generated from/(used in) financing activities		<u>1,902</u>	<u>(8,966,486)</u>
Net increase/(decrease) in cash and cash equivalents		<u>20,692,465</u>	<u>(30,525,165)</u>
Cash and cash equivalents, beginning of the period		13,894,602	43,281,463
Cash and cash equivalents, end of the period	11	<u><u>34,587,067</u></u>	<u><u>12,756,298</u></u>

Non-cash transactions:

The principle non-cash transactions for the period were as follows:

- i) An amount of AED 15.7 million was transferred from bank loan to bank overdraft (Note 15)
- ii) An amount of AED 3.8 million interest payable on the bank loan and AED 2.1 million interest payable on the bank overdraft were accrued for the period.
- iii) An amount of AED 10 million was transferred from retained earnings to share capital as dividend distribution in the form of bonus shares (Note 11 and 12)

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 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 30 June 2012, the Group's subsidiaries, Pearl Capital Investments LLC and National Publishers LLC have incurred losses of AED 2 million (31 December 2011: AED 1.9 million profit) and AED 0.9 million (31 December 2011: AED 2.6 million loss) respectively and reported net liabilities of AED 34.7 million (31 December 2011: AED 32.7 million) and AED 6.3 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 42.1 million (31 December 2011: AED 40.2 million) and AED 9.1 million (31 December 2011: AED 8.2 million) respectively exceeded half of the share capital of each of the subsidiaries as of 30 June 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 continue to be in breach of 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 statements for the six months ended 30 June 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), 'Separate financial statements' (effective from 1 January 2013);
- IAS 28 (amendment), 'Associates and joint ventures' (effective from 1 January 2013);
and
- IFRS 9 (standard), '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 statements for the six months ended 30 June 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 statements for the six months ended 30 June 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 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 licenses have expired and not been renewed.

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

(***) 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 statements for the six months ended 30 June 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 statements for the six months ended 30 June 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 statements for the six months ended 30 June 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 statements for the six months ended 30 June 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 statements for the six months ended 30 June 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:

	Insurance AED'000 Reviewed	Corporate AED'000 Reviewed	Total AED'000 Reviewed
Six months period ended 30 June 2012			
Net underwriting results	15,704	-	15,704
Expenses for marketing and administration	(18,998)	(2,269)	(21,267)
Amortisation of prepaid rent	-	(2,300)	(2,300)
Net investment income	-	19,977	19,977
Net rental income from investment property	-	5,726	5,726
	<u>(3,294)</u>	<u>21,134</u>	<u>17,840</u>
Results of operating activities	<u>(3,294)</u>	<u>21,134</u>	<u>17,840</u>
At 30 June 2012			
Total assets	<u>236,323</u>	<u>852,750</u>	<u>1,089,073</u>
Six months period ended 30 June 2011			
Net underwriting results	16,024	-	16,024
Expenses for marketing and administration	(18,254)	(3,693)	(21,947)
Net investment income	-	16,526	16,526
Net rental income from investment property	-	10,099	10,099
	<u>(2,230)</u>	<u>22,932</u>	<u>20,702</u>
Results of operating activities	<u>(2,230)</u>	<u>22,932</u>	<u>20,702</u>
At 30 June 2011			
Total assets	<u>247,124</u>	<u>879,326</u>	<u>1,126,450</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 statements for the six months ended 30 June 2012 (continued)

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

	Six months ended 30 June 2012						Total AED'000
	Fire AED'000	Motor AED'000	Medical AED'000	Marine and aviation AED'000	Accident and others AED'000		
Gross premium written	6,684	12,860	48,047	14,783	11,661		94,035
Less: Ceded premiums	(5,405)	(3,472)	(4,696)	(13,524)	(7,873)		(34,970)
Net premium income	1,279	9,388	43,351	1,259	3,788		59,065
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	(1,056)	(11,156)	(30,247)	(1,033)	(2,802)		(46,294)
Net premium earned	721	9,639	20,349	445	4,223		35,377
Reinsurance commission	1,390	538	132	888	1,279		4,227
Add: Unearned reinsurance commission at start of period	633	696	-	302	1,595		3,226
Less: Unearned reinsurance commission at close of period	(1,093)	(623)	(85)	(705)	(1,010)		(3,516)
Reinsurance commission earned	930	611	47	485	1,864		3,937
Total net underwriting revenue	1,651	10,250	20,396	930	6,087		39,314
Claims paid	(4,970)	(4,297)	(10,692)	(9,210)	(11,620)		(40,789)
Less: Recovered claims	4,464	907	474	8,400	10,700		24,945
Net claims paid	(506)	(3,390)	(10,218)	(810)	(920)		(15,844)
Less: Net outstanding claims at start of the period	2,017	5,703	5,550	4,475	6,547		24,292
Add: Net outstanding claims at close of the period	(1,693)	(5,185)	(14,205)	(2,611)	(5,213)		(28,907)
Net claims incurred	(182)	(2,872)	(18,873)	1,054	414		(20,459)
Commission paid and net other acquisition (costs)/income	(669)	338	(3,184)	(106)	(873)		(4,494)
Add: Deferred acquisition costs at start of period	(343)	(75)	(333)	(32)	(821)		(1,604)
Less: Deferred acquisition cost at close of period	515	42	1,799	51	540		2,947
Expenses for acquisition of insurance contracts	(497)	305	(1,718)	(87)	(1,154)		(3,151)
Total net underwriting expenses	(679)	(2,567)	(20,591)	967	(740)		(23,610)

Al Khazna Insurance Company P.S.C.

**Notes to the condensed consolidated interim financial statements
for the six months ended 30 June 2012 (continued)**

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

	Six months ended 30 June 2012					
	Fire AED'000	Motor AED'000	Medical AED'000	Marine and aviation AED'000	Accident and others AED'000	Total AED'000
Total net underwriting revenue b/f	1,651	10,250	20,396	930	6,087	39,314
Total net underwriting expenses b/f	(679)	(2,567)	(20,591)	967	(740)	(23,610)
Underwriting surplus	<u>972</u>	<u>7,683</u>	<u>(195)</u>	<u>1,897</u>	<u>5,347</u>	<u>15,704</u>
Expenses for marketing and administration	<u>(1,350)</u>	<u>(2,598)</u>	<u>(9,707)</u>	<u>(2,987)</u>	<u>(2,356)</u>	<u>(18,998)</u>
Net underwriting (deficit)/surplus	<u>(378)</u>	<u>5,085</u>	<u>(9,902)</u>	<u>(1,090)</u>	<u>2,991</u>	<u>(3,294)</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

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

	Six months ended 30 June 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	5,561	16,295	7,511	11,134	15,144	55,645
Less: Ceded premiums	(4,581)	(5,112)	(687)	(10,178)	(10,294)	(30,852)
Net premium income	980	11,183	6,824	956	4,850	24,793
Add: Net unearned premium reserve at start of the period	725	16,793	19,264	591	4,380	41,753
Less: Net unearned premium reserve at close of the period	(793)	(13,621)	(6,463)	(765)	(3,791)	(25,433)
Net premium earned	912	14,355	19,625	782	5,439	41,113
Reinsurance commission	1,318	769	-	829	1,827	4,743
Add: Unearned reinsurance commission at start of period	888	1,335	-	380	2,192	4,795
Less: Unearned reinsurance commission at close of period	(976)	(942)	-	(632)	(1,500)	(4,050)
Reinsurance commission earned	1,230	1,162	-	577	2,519	5,488
Total net underwriting revenue	2,142	15,517	19,625	1,359	7,958	46,601
Claims paid	(4,031)	(29,889)	(56,746)	(1,220)	(12,685)	(104,571)
Less: Recovered claims	3,251	8,996	1,208	1,026	10,176	24,657
Net claims paid	(780)	(20,893)	(55,538)	(194)	(2,509)	(79,914)
Less: Net outstanding claims at start of the period	2,474	18,168	42,265	5,032	8,706	76,645
Add: Net outstanding claims at close of the period	(2,822)	(5,692)	(2,671)	(5,070)	(8,484)	(24,739)
Net claims incurred	(1,128)	(8,417)	(15,944)	(232)	(2,287)	(28,008)
Commission paid and net other acquisition (costs)/income	(764)	341	(116)	(114)	(1,588)	(2,241)
Add: Deferred acquisition costs at start of period	(404)	(186)	(391)	(209)	(1,069)	(2,259)
Less: Deferred acquisition cost at close of period	499	117	71	90	1,154	1,931
Expenses for acquisition of insurance contracts	(669)	272	(436)	(233)	(1,503)	(2,569)
Total net underwriting expenses	(1,797)	(8,145)	(16,380)	(465)	(3,790)	(30,577)

Al Khazna Insurance Company P.S.C.

**Notes to the condensed consolidated interim financial statements
for the six months ended 30 June 2012 (continued)**

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

	Six months ended 30 June 2011					
	Fire AED'000	Motor AED'000	Medical AED'000	Marine and aviation AED'000	Accident and others AED'000	Total AED'000
Total net underwriting revenue b/f	2,142	15,517	19,625	1,359	7,958	46,601
Total net underwriting expenses b/f	(1,797)	(8,145)	(16,380)	(465)	(3,790)	(30,577)
Underwriting surplus	<u>345</u>	<u>7,372</u>	<u>3,245</u>	<u>894</u>	<u>4,168</u>	<u>16,024</u>
Expenses for marketing and administration	(1,824)	(5,345)	(2,464)	(3,652)	(4,969)	(18,254)
Net underwriting (deficit)/surplus	<u>(1,479)</u>	<u>2,027</u>	<u>781</u>	<u>(2,758)</u>	<u>(801)</u>	<u>(2,230)</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

4 Property and equipment

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 2011 AED Reviewed
Cost			
At beginning of period	22,017,790	21,046,241	21,046,241
Additions	215,001	1,700,214	1,485,037
Disposals	-	(728,665)	(106,551)
	<u>22,232,791</u>	<u>22,017,790</u>	<u>22,424,727</u>
Depreciation			
At beginning of period	12,872,181	11,296,148	11,296,148
Charge for the period	1,001,184	2,238,171	1,122,061
Disposals	-	(662,138)	(84,588)
	<u>13,873,365</u>	<u>12,872,181</u>	<u>12,333,621</u>
Net book amount			
At end of period	<u>8,359,426</u>	<u>9,145,609</u>	<u>10,091,106</u>

5 Investment properties

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 2011 AED Reviewed
At beginning of period	472,644,824	461,442,935	461,442,935
Net fair value (loss)/gain	(729,423)	11,201,889	-
	<u>471,915,401</u>	<u>472,644,824</u>	<u>461,442,935</u>

Investment property with a carrying value of AED 224 million is mortgaged in favour of First Gulf Bank against the bank loan (Note 15).

Included within investment property are two pieces of land with a carrying value of AED 133.5 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 loss of AED 729,423 has been recognised.

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

6 Investments

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 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 recorded in income statement	(749,195)	(3,439,639)	(949,630)
Net fair value gain/(loss)	937,939	(10,081,282)	2,429,175
At end of period	<u>63,276,128</u>	<u>63,087,384</u>	<u>136,674,512</u>

Details of available for sale financial assets:

Investment in quoted UAE securities carried at market value	5,179,651	5,617,121	75,497,158
Investment in unquoted UAE securities carried at fair value	58,096,477	57,470,263	61,177,354
	<u>63,276,128</u>	<u>63,087,384</u>	<u>136,674,512</u>

Financial assets at fair value through profit or loss

At beginning of period	248,927,782	199,878,932	199,878,932
Additions	-	110,959,846	-
Disposals	-	(58,419,953)	-
Net fair value gain/(loss)	11,011,490	(3,491,043)	6,528,742
At end of period	<u>259,939,272</u>	<u>248,927,782</u>	<u>206,407,674</u>

Details of fair value through profit or loss financial assets:

Investments in quoted UAE securities	197,266,663	184,115,647	155,603,499
Investment in quoted foreign securities	62,672,609	64,812,135	50,804,175
	<u>259,939,272</u>	<u>248,927,782</u>	<u>206,407,674</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

7 Insurance and other receivables

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 2011 AED Reviewed
Due from contract holders	65,013,196	55,458,798	49,698,093
Due from agents, broker , intermediaries and reinsurers	43,097,391	44,697,131	46,409,638
Less: provision for impairment of receivables	(21,678,244)	(20,272,781)	(10,088,964)
	<u>86,432,343</u>	<u>79,883,148</u>	<u>86,018,767</u>
Other receivables			
Prepayments	2,682,236	2,324,089	2,872,503
Accrued rent	892,819	987,914	2,647,400
Accrued interest	5,727	29,671	5,934
Recoveries of claims from other insurance companies	7,174,604	11,302,425	17,617,044
Deposits and other receivables	11,536,814	11,208,360	12,398,675
Provision for impairment of other receivables	(4,200,000)	(2,700,000)	-
Prepaid rent	21,300,922	23,601,026	-
	<u>39,393,122</u>	<u>46,753,485</u>	<u>35,541,556</u>
Total insurance and other receivables	<u>125,825,465</u>	<u>126,636,633</u>	<u>121,560,323</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

8 Insurance liabilities and reinsurance contract assets

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 2011 AED Reviewed
Gross			
Claims reported and loss adjustment expenses	110,473,738	115,073,157	138,386,497
Claims incurred but not reported	3,386,000	5,562,000	8,210,000
Unearned premiums provision	76,069,322	49,277,432	52,748,271
Total insurance liabilities, gross	<u>189,929,060</u>	<u>169,912,589</u>	<u>199,344,768</u>
Recoverable from reinsurers			
Claims reported and loss adjustment expenses	76,003,481	81,917,501	99,295,285
Claims incurred but not reported	1,773,852	3,122,426	4,946,487
Unearned premiums provision	29,773,910	26,670,976	27,314,916
Total reinsurers' share of insurance liabilities	<u>107,551,243</u>	<u>111,710,903</u>	<u>131,556,688</u>
Net			
Claims reported and loss adjustment expenses	34,470,257	33,155,656	39,091,212
Claims incurred but not reported	1,612,148	2,439,574	3,263,513
Unearned premiums provision	46,295,412	22,606,456	25,433,355
Total insurance liabilities, net	<u><u>82,377,817</u></u>	<u><u>58,201,686</u></u>	<u><u>67,788,080</u></u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

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

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 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	1,681,542	1,634,455	1,634,455
	<u>11,681,542</u>	<u>11,634,455</u>	<u>11,634,455</u>

At 30 June 2012, bank deposits with an original maturity of more than 3 months include accounts totaling AED 10 million (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:

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 2011 AED Reviewed
Cash and bank balances	37,577,649	14,771,192	21,549,305
Bank overdraft (Note 15)	(2,990,582)	(876,590)	(8,793,007)
	<u>34,587,067</u>	<u>13,894,602</u>	<u>12,756,298</u>

For the purpose of the statement of cash flows, bank overdraft amounting to AED 50.29 million was excluded from cash & 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 statements for the six months ended 30 June 2012 (continued)

11 Share capital

The issued and paid up share capital as at 30 June 2012 comprised of 410 million ordinary shares of AED 1 each (31 December 2011: 40 million ordinary shares). During the quarter, the annual general meeting held on 17 April 2012 resolved to distribute dividends for an amount of AED 10 million through the issuance of bonus shares and increasing the number of issued shares from 400 million shares to 410 million shares.

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 each entity.

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 six month period ended 30 June 2012 as these will be effected at the end of 2012 based on the Company's results and Group's results for the year.

Dividend

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 (Note 11).

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

13 Fair value reserve

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 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	949,630
Net fair value gain/(loss)	937,939	(10,081,282)	1,479,545
Fair value gain transferred to the income statement on disposal	-	(13,301,555)	-
At end of period	<u>17,382,147</u>	<u>16,444,208</u>	<u>40,188,683</u>

14 Retirement benefit obligations

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 2011 AED Reviewed
At beginning of period	3,025,318	2,610,373	2,610,373
Charge for the period	496,808	936,043	466,593
Payments	(81,415)	(521,098)	(194,641)
At end of period	<u>3,440,711</u>	<u>3,025,318</u>	<u>2,882,325</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

15 Bank borrowings

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 2011 AED Reviewed
Non-current			
Bank loan	116,946,475	128,607,597	147,115,965
Bank overdrafts	53,285,320	33,383,748	24,377,352
	<u>170,231,795</u>	<u>161,991,345</u>	<u>171,493,317</u>

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 224 million.

The bank has granted the Group a bank overdraft facility which amounted to AED 50.29 million at 30 June 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 6.1 million (30 June 2011: AED 6.9 million).

Beginning 2009 the bank changed the interest rates on the bank loan and commenced charging the Group interest at a rate above that stipulated in the loan agreement. The excess interest charged to date is approximately AED 11.1 million. 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 six months ended 30 June 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.

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

16 Trade and other payables

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 2011 AED Reviewed
Insurance payables	57,862,824	70,594,510	71,367,348
Dividends payable	18,268,613	18,277,538	18,972,799
Accruals and other payables	15,382,087	13,519,331	13,549,311
Rents received in advance	3,571,703	5,444,101	4,884,680
	<u>95,085,227</u>	<u>107,835,480</u>	<u>108,774,138</u>

17 Net insurance premium revenue

	Three months ended		Six months ended	
	30 June 2012 AED Reviewed	30 June 2011 AED Reviewed	30 June 2012 AED Reviewed	30 June 2011 AED Reviewed
Premiums written	42,795,913	34,134,564	94,034,971	55,645,525
Change in unearned premium provision	(7,561,114)	(1,989,620)	(26,791,890)	24,939,395
Premium revenue	<u>35,234,799</u>	<u>32,144,944</u>	<u>67,243,081</u>	<u>80,584,920</u>
Premium ceded	(24,406,526)	(19,918,736)	(34,969,116)	(30,852,270)
Change in reinsurers' share of unearned premium provision	<u>8,201,092</u>	<u>2,535,681</u>	<u>3,102,934</u>	<u>(8,619,536)</u>
Premium revenue ceded to reinsurers on contracts issued	<u>(16,205,434)</u>	<u>(17,383,055)</u>	<u>(31,866,182)</u>	<u>(39,471,806)</u>
Net insurance premium revenue	<u><u>19,029,365</u></u>	<u><u>14,761,889</u></u>	<u><u>35,376,899</u></u>	<u><u>41,113,114</u></u>

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Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

18 Reinsurance commissions

	Three months ended		Six months ended	
	30 June 2012 AED Reviewed	30 June 2011 AED Reviewed	30 June 2012 AED Reviewed	30 June 2011 AED Reviewed
Commission receivable from reinsurers	2,533,687	2,702,982	4,227,361	4,743,334
Unearned reinsurance commissions at beginning of period	2,886,980	3,781,113	3,226,177	4,794,270
Unearned reinsurance commissions at end of period	(3,516,466)	(4,049,546)	(3,516,466)	(4,049,546)
	<u>1,904,201</u>	<u>2,434,549</u>	<u>3,937,072</u>	<u>5,488,058</u>

19 Insurance claims

	Three months ended		Six months ended	
	30 June 2012 AED Reviewed	30 June 2011 AED Reviewed	30 June 2012 AED Reviewed	30 June 2011 AED Reviewed
Paid claims, net of recoveries	(25,977,608)	(46,586,995)	(40,788,817)	(104,571,328)
Change in the provision for outstanding claims and IBNR	(1,867,353)	28,618,534	6,775,419	54,341,944
Change in outstanding claims recoveries	(684,368)	(2,217,722)	(4,127,821)	1,049,762
Gross claims incurred	<u>(28,529,329)</u>	<u>(20,186,183)</u>	<u>(38,141,219)</u>	<u>(49,179,622)</u>
Reinsurers' share of claims paid	14,972,431	11,300,101	24,945,181	24,657,517
Change in the reinsurers share of provision for outstanding claims and IBNR	(2,116,002)	(3,312,939)	(7,262,594)	(3,485,182)
Reinsurers' share of claims incurred	<u>12,856,429</u>	<u>7,987,162</u>	<u>17,682,587</u>	<u>21,172,335</u>
Claims and loss adjustments expenses, net of reinsurance	<u>(15,672,900)</u>	<u>(12,199,021)</u>	<u>(20,458,632)</u>	<u>(28,007,287)</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

20 Expenses for acquisition of insurance contracts

	Three months ended		Six months ended	
	30 June 2012 AED Reviewed	30 June 2011 AED Reviewed	30 June 2012 AED Reviewed	30 June 2011 AED Reviewed
Commissions paid during the period	1,463,675	1,419,295	4,132,850	2,407,918
Other acquisition costs net of other underwriting income	289,051	21,379	361,064	(166,477)
Deferred acquisition costs at beginning of period	2,788,386	1,776,008	1,604,106	2,258,143
Deferred acquisition costs at end of period	(2,946,720)	(1,931,853)	(2,946,720)	(1,931,853)
	<u>1,594,392</u>	<u>1,284,829</u>	<u>3,151,300</u>	<u>2,567,731</u>

21 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 410,000,000 shares.

	Three months ended		Six months ended	
	30 June 2012 AED Reviewed	30 June 2011 AED Reviewed	30 June 2012 AED Reviewed	30 June 2011 AED Reviewed
Net profit/(loss) attributable to equity shareholders	<u>(42,523,256)</u>	<u>22,035,013</u>	<u>11,757,767</u>	<u>13,793,757</u>
Weighted average number of ordinary shares issued	<u>410,000,000</u>	<u>400,000,000</u>	<u>405,000,000</u>	<u>400,000,000</u>
Earnings per share	<u>-</u>	<u>0.055</u>	<u>0.029</u>	<u>0.034</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

22 Guarantees

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 2011 AED Reviewed
Guarantees	<u>10,923,167</u>	<u>11,361,415</u>	<u>10,635,474</u>

The above were issued in the ordinary course of business.

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.

	30 June 2012 AED Reviewed	31 December 2011 AED Audited	30 June 2011 AED Reviewed
Related party balances			
Insurance receivables (Note 7)	<u>8,029,024</u>	<u>16,095,101</u>	<u>12,640,165</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.

	Six months ended	
	30 June 2012 AED Reviewed	30 June 2011 AED Reviewed
Net premiums written	<u>23,864,729</u>	<u>5,766,426</u>
Claims paid	<u>10,168,231</u>	<u>671,142</u>
Key management compensation		
Key management compensation	3,096,702	2,884,882
CEO remuneration	499,998	499,998
	<u>3,596,700</u>	<u>3,384,880</u>

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Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2012 (continued)

24 Cash flow from operating activities

	Notes	Six months ended	
		30 June 2012 AED Reviewed	30 June 2011 AED Reviewed
Profit for the period		11,757,767	13,793,757
Adjustments for:			
Depreciation	4	1,001,184	1,122,061
Impairment on available for sale financial assets	6	749,195	949,630
Gain on revaluation of investments at fair value through profit or loss	6	(11,011,490)	(6,528,742)
Net fair value loss on investment property	5	729,423	-
Provision for employees end of service benefit	14	496,808	466,593
Provision for impairment of receivables		2,905,463	2,919,757
Interest income		(51,660)	(105,046)
Interest expense		5,963,611	6,908,582
Dividend income		(10,235,187)	-
Operating cash flows before change in operating assets and liabilities		2,305,114	19,526,592
Payment of employees service benefits	14	(81,415)	(194,641)
(Increase)/decrease in deferred acquisition costs		(1,342,614)	326,290
Decrease in reinsurance contracts assets		4,159,660	12,104,718
Increase/(decrease) in insurance contract liabilities		20,016,471	(79,281,339)
Increase/(decrease) in unearned reinsurance commission		290,289	(744,724)
(Increase)/decrease in insurance and other receivables		(2,094,295)	25,498,785
Decrease in trade and other payables		(12,587,406)	(16,357,865)
Cash generated from/(used in) operations		<u>10,665,804</u>	<u>(39,122,184)</u>