

Al Khazna Insurance Company
(Public Shareholding Company)

**Condensed consolidated interim
financial information for the
six months ended 30 June 2011
(Unaudited)**

Al Khazna Insurance Company
(Public Shareholding Company)

Condensed consolidated interim financial information
for the six months ended 30 June 2011

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Al Khazna Insurance Company
(Public Shareholding Company)

Board of Directors' report for the six months ended 30 June 2011

Al Khazna Insurance Company P.S.C. is pleased to submit its second quarterly report of 2011 together with the condensed consolidated interim financial information for the six months ended 30 June 2011.

During the period, the Group managed to streamline its activities which resulted in the improved performance for the period ended 30 June 2011.

The Board and management's aim was to increase profitability by taking certain measures including enhanced claims management procedures and close monitoring of the underwriting results and maintaining the profitable businesses. This has resulted in a reduction in the gross premiums written and an increase in the Group's net profit for the period.

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

Gross premium written decreased from AED 173.7 million for the six months period ended 30 June 2010 to AED 55.6 million for the six months period ended 30 June 2011.

The net underwriting surplus increased from AED 7.6 million for the six months period ended 30 June 2010 to AED 16million for the six months period ended 30 June 2011.

The net investment results for the period registered a gain of AED 26.6 million for the six months period ended 30 June 2011 against a loss of AED 31.9 million in the six months period ended 30 June 2010.

The net income for the six months period ended 30 June 2011 is AED 13.8 million against a net loss of AED 50.3 million for the six months period ended 30 June 2010.

The total assets of the Group decreased to AED 1.1 billion as at 30 June 2011 against AED 1.3 billion as at 30 June 2010.

The total capital and reserves attributable to the Company's equity holders decreased to AED 639.9 million as at 30 June 2011 against AED 644.17 as at 30 June 2010.

Now more emphasis is being given by the Company on the quality of service and customer care.



.....
Director

... August 2011

**Report on Review of Condensed Consolidated Interim Financial Information
to the Board of Directors 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 2011 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.

Conclusion

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

PricewaterhouseCoopers
..7.. August 2011


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

Al Khazna Insurance Company P.S.C.

Condensed consolidated interim statement of financial position

	Notes	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
ASSETS				
Property and equipment	4	10,091,106	9,750,093	5,540,340
Investment properties	5	461,442,935	461,442,935	469,981,000
Financial assets				
- Available-for-sale	6	136,674,512	135,194,967	105,106,836
- At fair value through profit or loss	6	206,407,674	199,878,932	168,098,140
- Held-to-maturity	6	-	18,332,500	18,332,500
Advances	7	23,601,026	23,601,026	60,648,931
Insurance and other receivables	8	121,560,323	150,610,798	180,668,762
Reinsurance contracts	9	131,556,688	143,661,406	163,585,322
Deferred acquisition costs	21	1,931,853	2,258,143	5,667,808
Bank deposits with an original maturity of more than 3 months	10	11,634,455	11,591,555	11,591,533
Cash and cash equivalents	11	21,549,305	43,281,463	77,755,884
Total assets		1,126,449,877	1,199,603,818	1,266,977,056
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	12	400,000,000	400,000,000	400,000,000
Share premium		1,783,412	1,783,412	1,783,412
Legal reserve	13	58,122,000	58,122,000	57,278,668
Regulatory reserve	13	56,267,338	56,267,338	56,267,338
Fair value reserve	14	40,188,683	37,759,508	1,738,337
Revaluation reserve		11,736,841	11,736,841	11,736,841
Retained earnings		71,807,509	58,013,752	115,374,933
Total capital and reserves attributable to the Company's equity holders		639,905,783	623,682,851	644,179,529
LIABILITIES				
Insurance liabilities	9	199,344,768	278,626,107	324,823,073
Unearned reinsurance commission	19	4,049,546	4,794,270	7,017,009
Retirement benefit obligations	15	2,882,325	2,610,373	2,379,650
Bank borrowings	16	171,493,317	156,422,305	171,192,659
Trade and other payables	17	108,774,138	133,467,912	117,385,136
Total liabilities		486,544,094	575,920,967	622,797,527
Total equity and liabilities		1,126,449,877	1,199,603,818	1,266,977,056

The condensed consolidated interim financial information was authorised for issue on ..7.. August 2011
by:

Director

CEO

The notes on pages 8 to 32 form an integral part of these condensed consolidated interim financial information.

Al Khazna Insurance Company P.S.C.

Condensed consolidated interim income statement

	Notes	Three months ended 30 June		Six months ended 30 June	
		2011 AED	2010 AED	2011 AED	2010 AED
Insurance premium revenue	18	32,144,944	76,038,306	80,584,920	144,357,795
Insurance premium ceded to reinsurers	18	(17,383,055)	(28,271,715)	(39,471,806)	(58,360,137)
Net insurance premium revenue	18	14,761,889	47,766,591	41,113,114	85,997,658
Investment income		10,811,905	10,166,505	10,945,631	10,298,409
Net realised loss on financial assets	6	(32,690)	(916,939)	(949,630)	(8,796,412)
Net fair value gain/(loss) on financial assets at fair value through profit or loss	6	18,411,270	(28,154,078)	6,528,742	(43,365,110)
Reinsurance commissions	19	2,434,549	3,855,559	5,488,058	8,151,181
Net rental income from investment property		4,921,348	5,553,729	10,098,525	9,957,266
Net income		51,308,271	38,271,367	73,224,440	62,242,992
Insurance claims and loss adjustment expenses	20	(20,186,183)	(71,070,072)	(49,179,622)	(111,280,939)
Insurance claims and loss adjustment expenses recovered from reinsurers	20	7,987,162	19,541,982	21,172,335	32,382,846
Net insurance claims		(12,199,021)	(51,528,090)	(28,007,287)	(78,898,093)
Expenses for acquisition of insurance contracts	21	(1,284,829)	(3,696,507)	(2,567,731)	(7,622,230)
Expenses for marketing and administration		(12,186,703)	(11,098,625)	(21,947,083)	(19,063,353)
Other operating expenses		-	(18,965)	-	(62,512)
Expenses		(25,670,553)	(66,342,187)	(52,522,101)	(105,646,188)
Results of operating activities		25,637,718	(28,070,820)	20,702,339	(43,403,196)
Finance costs		(3,602,705)	(3,387,949)	(6,908,582)	(6,923,606)
Profit/(loss) for the period		22,035,013	(31,458,769)	13,793,757	(50,326,802)
Attributable to:					
- Equity holders of the Company		22,035,013	(31,458,769)	13,793,757	(50,326,802)
Basic earnings per share	22	0.055	-	0.034	-

The notes on pages 8 to 32 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	
		2011 AED	2010 AED	2011 AED	2010 AED
Profit/(loss) for the period		<u>22,035,013</u>	<u>(31,458,769)</u>	<u>13,793,757</u>	<u>(50,326,802)</u>
Other comprehensive income					
Net fair value gain/(loss) on available-for-sale financial assets		7,929,998	(4,086,731)	1,479,545	(14,245,808)
Fair value loss transferred to income statement on impairment	6	<u>32,690</u>	<u>916,939</u>	<u>949,630</u>	<u>8,796,412</u>
Total other comprehensive income/(loss)		<u>7,962,688</u>	<u>(3,169,792)</u>	<u>2,429,175</u>	<u>(5,449,396)</u>
Total comprehensive income/(loss) for the period		<u>29,997,701</u>	<u>(34,628,561)</u>	<u>16,222,932</u>	<u>(55,776,198)</u>
Attributable to:					
- Owners of the Company		<u>29,997,701</u>	<u>(34,628,561)</u>	<u>16,222,932</u>	<u>(55,776,198)</u>

The notes on pages 8 to 32 form an integral part of these condensed consolidated interim financial information.

Al Khazna Insurance Company P.S.C.

Condensed consolidated interim statement of changes in equity

	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 2010	400,000,000	1,783,412	57,278,668	56,267,338	18,924,574	175,701,735	709,955,727
Loss for the period	-	-	-	-	-	(50,326,802)	(50,326,802)
Other comprehensive loss	-	-	-	-	(5,449,396)	-	(5,449,396)
Total comprehensive loss for the period	-	-	-	-	(5,449,396)	(50,326,802)	(55,776,198)
Dividends (Note 13)	-	-	-	-	-	(10,000,000)	(10,000,000)
At 30 June 2010	400,000,000	1,783,412	57,278,668	56,267,338	13,475,178	115,374,933	644,179,529
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

The notes on pages 8 to 32 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	
		2011 AED	2010 AED
Cash (used in)/generated from operations	25	(39,122,184)	28,188,552
Interest received		736,979	839,258
Net cash (used in)/generated from operating activities		(38,385,205)	29,027,810
Cash flows from investing activities			
Increase in bank deposits with original maturity of more than three months		(42,900)	(5,605,630)
Purchase of property and equipment	4	(1,485,037)	(299,703)
Proceeds from sale of property and equipment		21,963	19,245
Proceeds on maturity of debt securities		18,332,500	-
Net cash generated from/(used in) investing activities		16,826,526	(5,886,088)
Cash flows from financing activities			
Increase in/(repayment of) bank loan		6,278,005	(8,859,588)
Dividends paid		(8,335,909)	-
Interest paid		(6,908,582)	-
Net cash used in financing activities		(8,966,486)	(8,859,588)
Net (decrease)/increase in cash and cash equivalents		(30,525,165)	14,282,134
Cash and cash equivalents, beginning of the period		43,281,463	57,765,991
Cash and cash equivalents, end of the period	11	12,756,298	72,048,125

The notes on pages 8 to 32 form an integral part of these condensed consolidated interim financial information.

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011

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.

As of 30 June 2011, the Group's subsidiaries, Pearl Capital Investments LLC and National Publishers LLC have incurred losses of AED 1.1 million (31 December 2010: AED 7 million) and AED 1.4 million (31 December 2010: AED 1.6 million) respectively and reported net liabilities of AED 11.4 million (31 December 2010: AED 15.7 million) and AED 4.2 million (31 December 2010: AED 2.8 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 42.9 million (31 December 2010: AED 41.8 million) and AED 7 million (31 December 2010: AED 5.6 million) respectively exceeded half of the share capital of each of the subsidiaries as of 30 June 2011 and 31 December 2010, to comply with the provisions of Article 289 of UAE Federal Law No. (8) of 1984, as amended, the shareholders of each subsidiary are required to vote on a resolution for the continuation of each of the subsidiaries at their own forthcoming Annual General Assemblies in 2011.

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 sales financial assets.

The accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2010.

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 2011 (continued)

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

The condensed consolidated interim financial information should be read in conjunction with the financial statements for the year ended 31 December 2010.

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:

IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. As at 30 June 2011, the Group did not hold available-for-sale debt investments.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39, 'Financial instruments: Recognition and measurement', and have not been changed. The Group has not yet decided when to adopt IFRS 9.

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (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 2011 (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 and 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 and 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.

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

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

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 2011 (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 annually 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 2011 (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 2011 (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.

The fair values of quoted investments are based on current bid 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 2011 (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 2011 (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	Corporate AED'000	Total AED'000
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> </u>	<u> </u>	<u> </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>
Six months period ended 30 June 2010			
Net underwriting results	7,629	-	7,629
Expenses for marketing and administration	(14,950)	(4,114)	(19,064)
Net investment loss	-	(41,863)	(41,863)
Net rental income from investment property	-	9,895	9,895
	<u> </u>	<u> </u>	<u> </u>
Results of operating activities	<u>(7,321)</u>	<u>(36,082)</u>	<u>(43,403)</u>
At 30 June 2010			
Total assets	<u>331,929</u>	<u>935,048</u>	<u>1,266,977</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 2011 (continued)

3 Underwriting results of the insurance segment (continued)

	Six months ended 30 June 2011					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	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)

(17)

Al Khazna Insurance Company P.S.C.

**Notes to the condensed consolidated interim financial statements
for the six months ended 30 June 2011 (continued)**

3 Underwriting results of the insurance segment (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	<u>(1,797)</u>	<u>(8,145)</u>	<u>(16,380)</u>	<u>(465)</u>	<u>(3,790)</u>	<u>(30,577)</u>
Underwriting surplus	345	7,372	3,245	894	4,168	16,024
Expenses for marketing and administration	<u>(1,824)</u>	<u>(5,345)</u>	<u>(2,464)</u>	<u>(3,652)</u>	<u>(4,969)</u>	<u>(18,254)</u>
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 2011 (continued)

3 Underwriting results of the insurance segment (continued)

	Six months ended 30 June 2010					
	Fire	Motor	Medical	Marine and aviation	Accident and others	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Gross premium written	9,882	47,944	75,812	15,168	24,878	173,684
Less: Ceded premiums	(8,256)	(14,554)	(3,022)	(13,341)	(19,275)	(58,448)
Net premium income	1,626	33,390	72,790	1,827	5,603	115,236
Add: Net unearned premium reserve at start of period	1,038	18,770	38,868	356	5,096	64,128
Less: Net unearned premium reserve at close of period	(1,185)	(27,038)	(57,887)	(1,158)	(6,097)	(93,365)
Net premium earned	1,479	25,122	53,771	1,025	4,602	85,999
Reinsurance commission	1,902	2,677	-	1,127	2,926	8,632
Add: Unearned reinsurance commission at start of period	1,334	1,657	-	443	3,102	6,536
Less: Unearned reinsurance commission at close of period	(1,398)	(2,212)	-	(780)	(2,628)	(7,018)
Reinsurance commission earned	1,838	2,122	-	790	3,400	8,150
Total net underwriting revenue	3,317	27,244	53,771	1,815	8,002	94,149
Claims paid	(2,918)	(26,781)	(46,845)	(18,508)	(12,587)	(107,639)
Less: Recovered claims	2,578	8,224	104	16,923	10,932	38,761
Net claims paid	(340)	(18,557)	(46,741)	(1,585)	(1,655)	(68,878)
Less: Net outstanding claims at start of period	2,919	7,914	15,894	8,377	9,107	44,211
Add: Net outstanding claims at close of period	6	(16,141)	(24,061)	(4,660)	(9,375)	(54,231)
Net claims incurred	2,585	(26,784)	(54,908)	2,132	(1,923)	(78,898)
Commission paid and net other acquisition (costs)/income	(1,011)	64	(3,176)	(603)	(2,003)	(6,729)
Add: Deferred acquisition costs at start of period	(425)	(727)	(3,083)	(323)	(2,003)	(6,561)
Less: Deferred acquisition cost at close of period	874	464	2,403	222	1,705	5,668
Expenses for acquisition of insurance contracts	(562)	(199)	(3,856)	(704)	(2,301)	(7,622)
Total net underwriting expenses	2,023	(26,983)	(58,764)	1,428	(4,224)	(86,520)

Al Khazna Insurance Company P.S.C.

**Notes to the condensed consolidated interim financial statements
for the six months ended 30 June 2011 (continued)**

3 Underwriting results of the insurance segment (continued)

	Six months ended 30 June 2010					Total AED'000
	Fire AED'000	Motor AED'000	Medical AED'000	Marine and aviation AED'000	Accident and others AED'000	
Total net underwriting revenue	3,317	27,244	53,771	1,815	8,002	94,149
Total net underwriting expenses	2,023	(26,983)	(58,764)	1,428	(4,224)	(86,520)
Underwriting Surplus	<u>5,340</u>	<u>261</u>	<u>(4,993)</u>	<u>3,243</u>	<u>3,778</u>	<u>7,629</u>
Expenses for marketing and administration	(851)	(4,127)	(6,525)	(1,306)	(2,141)	(14,950)
Net Underwriting surplus/(deficit)	<u>4,489</u>	<u>(3,866)</u>	<u>(11,518)</u>	<u>1,937</u>	<u>1,637</u>	<u>(7,321)</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (continued)

4 Property and equipment

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
Cost			
At beginning of period	21,046,241	15,407,290	15,407,290
Additions	1,485,037	1,480,168	299,703
Transfer from advances	-	8,217,384	-
Impairment of property under development	-	(3,988,650)	-
Disposals	(106,551)	(69,951)	(38,490)
At end of period	<u>22,424,727</u>	<u>21,046,241</u>	<u>15,668,503</u>
Depreciation			
At beginning of period	11,296,148	9,106,740	9,106,741
Charge for the period	1,122,061	2,208,653	1,040,667
Disposals	(84,588)	(19,245)	(19,245)
At end of period	<u>12,333,621</u>	<u>11,296,148</u>	<u>10,128,163</u>
Net book amount			
At end of period	<u>10,091,106</u>	<u>9,750,093</u>	<u>5,540,340</u>

5 Investment properties

At beginning of period	461,442,935	469,981,000	469,981,000
Transfer from advances	-	885,000	-
Net fair value loss	-	(9,423,065)	-
At end of period	<u>461,442,935</u>	<u>461,442,935</u>	<u>469,981,000</u>

Investment property with a carrying value of AED 225 million is mortgaged in favour of First Gulf Bank against the bank loan (Note 16).

Included within investment property are two pieces of land with a carrying value of AED 129.3 million whose title was not transferred to the name of the Group pending the settlement of the last instalment.

In accordance with the Group's accounting policy (Note 2.3) the investment properties will be fair valued by an independent valuer at the end of the year.

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (continued)

6 Investments

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
<i>Available for sale financial assets</i>			
At beginning of period	135,194,967	120,393,163	120,393,163
Disposals	-	(1,030,000)	(1,030,000)
Impairment recorded in income statement	(949,630)	(14,729,453)	(8,796,412)
Foreign exchange loss charged to income statement	-	(10,520)	(10,520)
Foreign exchange loss charged to other comprehensive income	-	(406,480)	(791,500)
Net fair value gain/(loss)	2,429,175	30,978,257	(4,657,895)
At end of period	<u>136,674,512</u>	<u>135,194,967</u>	<u>105,106,836</u>

Details of available for sale financial assets:

Investment in quoted UAE securities carried at market value	75,497,158	69,295,778	50,769,886
Investment in unquoted UAE securities carried at fair value	61,177,354	65,899,189	10,574,833
Investment in unquoted UAE securities carried at cost	-	-	43,762,117
	<u>136,674,512</u>	<u>135,194,967</u>	<u>105,106,836</u>

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
<i>Held-to-maturity financial assets</i>			
Held to maturity investments	<u>-</u>	<u>18,332,500</u>	<u>18,332,500</u>

Held to maturity financial assets comprised a capital guaranteed call range accrual note denominated in US Dollars which was issued by an international bank. During the first quarter of 2011 the note was called back at its carrying value.

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (continued)

6 Investments (continued)

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
<i>Financial assets at fair value through profit or loss</i>			
At beginning of period	199,878,932	210,963,250	210,963,250
Additions	-	500,000	500,000
Disposals	-	(429,581)	-
Net fair value gain/(loss)	6,528,742	(11,154,737)	(43,365,110)
At end of period	<u>206,407,674</u>	<u>199,878,932</u>	<u>168,098,140</u>
<i>Financial assets at fair value through profit and loss</i>			
Investments in quoted UAE securities	155,603,499	146,211,127	109,271,230
Investment in quoted foreign securities	50,804,175	53,667,805	58,826,910
	<u>206,407,674</u>	<u>199,878,932</u>	<u>168,098,140</u>
7 Advances			
Advances for purchase of real estate	23,601,026	23,601,026	57,910,478
Advances for purchase of securities	-	-	2,738,453
	<u>23,601,026</u>	<u>23,601,026</u>	<u>60,648,931</u>

Al Khazna Insurance Company P.S.C.**Notes to the condensed consolidated interim financial statements
for the six months ended 30 June 2011 (continued)****8 Insurance and other receivables**

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
Due from contract holders	49,698,093	70,554,893	93,220,985
Due from agents, broker and intermediaries and reinsurers	46,409,638	47,213,955	56,887,043
Less: provision for impairment of receivables	(10,088,964)	(7,169,207)	(5,181,437)
Provision for reconciling differences in insurance companies receivable balances	-	-	(5,890,221)
	<u>86,018,767</u>	<u>110,599,641</u>	<u>139,036,370</u>
Other receivables			
Prepayments	2,872,503	2,199,825	4,752,404
Accrued rent	2,647,400	5,113,221	4,146,493
Accrued interest	5,934	637,867	8,926
Recoveries of claims from other insurance companies	17,617,044	16,567,282	13,639,624
Deposits and other receivables	12,398,675	15,492,962	19,084,945
	<u>35,541,556</u>	<u>40,011,157</u>	<u>41,632,392</u>
Total insurance and other receivables	<u>121,560,323</u>	<u>150,610,798</u>	<u>180,668,762</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (continued)

9 Insurance liabilities and reinsurance contract assets

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
Gross			
Claims reported and loss adjustment expenses	138,386,497	190,799,239	165,602,196
Claims incurred but not reported	8,210,000	10,139,202	16,099,921
Unearned premiums provision	52,748,271	77,687,666	143,120,956
Total insurance liabilities, gross	<u>199,344,768</u>	<u>278,626,107</u>	<u>324,823,073</u>
Recoverable from reinsurers			
Claims reported and loss adjustment expenses	99,295,285	102,864,868	101,938,867
Claims incurred but not reported	4,946,487	4,862,086	11,892,011
Unearned premiums provision	27,314,916	35,934,452	49,754,444
Total reinsurers' share of insurance liabilities	<u>131,556,688</u>	<u>143,661,406</u>	<u>163,585,322</u>
Net			
Claims reported and loss adjustment expenses	39,091,212	87,934,371	63,663,329
Claims incurred but not reported	3,263,513	5,277,116	4,207,910
Unearned premiums provision	25,433,355	41,753,214	93,366,512
Total insurance liabilities, net	<u>67,788,080</u>	<u>134,964,701</u>	<u>161,237,751</u>

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

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
Restricted investment deposits	10,000,000	10,000,000	10,000,000
Bank deposits with an original maturity of more than 3 months	1,634,455	1,591,555	1,591,533
	<u>11,634,455</u>	<u>11,591,555</u>	<u>11,591,533</u>

At 30 June 2011, bank deposits with an original maturity of more than 3 months include accounts totaling AED 10 million (2010: 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.

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (continued)

11 Cash and cash equivalents

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

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
Cash and bank balances	21,549,305	43,281,463	77,755,884
Bank overdraft (Note 16)	(8,793,007)	-	(5,707,759)
	<u>12,756,298</u>	<u>43,281,463</u>	<u>72,048,125</u>

12 Share capital

The issued and paid up share capital as at 30 June 2011 comprised of 400 million ordinary shares of AED 1 each.

13 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 2011 as these will be effected at the end of 2011 based on the Company's results and Group's results for the year.

Dividend

At the Annual General Meeting on 20 May 2010, the shareholders of the Company approved dividend payment of 2.5% of share capital for the year ended 31 December 2009 amounting to AED 10 million. This dividend was disbursed to shareholders during the period.

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (continued)

14 Fair value reserve

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
At beginning of period	37,759,508	7,187,733	7,187,733
Fair value loss transferred to income statement on impairment	949,630	25,397,058	8,796,412
Net fair value gain/(loss)	1,479,545	5,174,717	(14,245,808)
At end of period	<u>40,188,683</u>	<u>37,759,508</u>	<u>1,738,337</u>

15 Retirement benefit obligations

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
At beginning of period	2,610,373	2,382,625	2,382,625
Charge for the period	466,593	744,538	103,854
Payments	(194,641)	(516,790)	(106,829)
At end of period	<u>2,882,325</u>	<u>2,610,373</u>	<u>2,379,650</u>

16 Bank borrowings

Non-current			
Bank loan	147,115,965	156,422,305	165,484,900
Bank overdrafts	24,377,352	-	5,707,759
	<u>171,493,317</u>	<u>156,422,305</u>	<u>171,192,659</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 for AED 230 million.

Included within bank overdrafts is a facility amounting to AED 15.7 million granted for the repayment of the bank loan installment. 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 and is included within financing activities (Note 11).

Finances charges associated with the above facilities for the period amounted to AED 6.9 million (2010: AED 6.9 million).

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (continued)

17 Trade and other payables

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
Insurance payables	71,367,348	81,240,209	68,610,254
Dividends payable	18,972,799	27,308,708	27,328,620
Accruals and other payables	13,549,311	16,967,581	13,831,878
Rents received in advance	4,884,680	7,951,414	7,614,384
	<u>108,774,138</u>	<u>133,467,912</u>	<u>117,385,136</u>

18 Net insurance premium revenue

	Three months ended		Six months ended	
	30 June 2011 AED	30 June 2010 AED	30 June 2011 AED	30 June 2010 AED
Premiums written	34,134,564	98,779,547	55,645,525	173,684,575
Change in unearned premium provision	(1,989,620)	(22,741,241)	24,939,395	(29,326,780)
Premium revenue	<u>32,144,944</u>	<u>76,038,306</u>	<u>80,584,920</u>	<u>144,357,795</u>
Premium ceded	(19,918,736)	(34,838,798)	(30,852,270)	(58,448,733)
Change in reinsurers' share of unearned premium provision	2,535,681	6,567,083	(8,619,536)	88,596
Premium revenue ceded to reinsurers on contracts issued	<u>(17,383,055)</u>	<u>(28,271,715)</u>	<u>(39,471,806)</u>	<u>(58,360,137)</u>
Net insurance premium revenue	<u>14,761,889</u>	<u>47,766,591</u>	<u>41,113,114</u>	<u>85,997,658</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (continued)

19 Reinsurance commissions

	Three months ended		Six months ended	
	30 June 2011 AED	30 June 2010 AED	30 June 2011 AED	30 June 2010 AED
Commission receivable from reinsurers	2,702,982	4,538,074	4,743,334	8,631,595
Unearned reinsurance commissions at beginning of period	3,781,113	6,336,494	4,794,270	6,536,595
Unearned reinsurance commissions at end of period	(4,049,546)	(7,017,009)	(4,049,546)	(7,017,009)
	<u>2,434,549</u>	<u>3,857,559</u>	<u>5,488,058</u>	<u>8,151,181</u>

20 Insurance claims

	Three months ended		Six months ended	
	30 June 2011 AED	30 June 2010 AED	30 June 2011 AED	30 June 2010 AED
Paid claims, net of recoveries	(46,586,995)	(59,013,394)	(104,571,328)	(107,638,154)
Change in the provision for outstanding claims and IBNR	28,618,534	(13,032,123)	54,341,944	(5,500,770)
Change in outstanding claims recoveries	(2,217,722)	975,445	1,049,762	1,857,985
Gross claims incurred	<u>(20,186,183)</u>	<u>(71,070,072)</u>	<u>(49,179,622)</u>	<u>(111,280,939)</u>
Reinsurers' share of claims paid	11,300,101	15,437,177	24,657,517	38,759,990
Change in the reinsurers share of provision for outstanding claims and IBNR	<u>(3,312,939)</u>	<u>4,104,805</u>	<u>(3,485,182)</u>	<u>(6,377,144)</u>
Reinsurers' share of claims incurred	<u>7,987,162</u>	<u>19,541,982</u>	<u>21,172,335</u>	<u>32,382,846</u>
Claims and loss adjustments expenses, net of reinsurance	<u>(12,199,021)</u>	<u>(51,528,090)</u>	<u>(28,007,287)</u>	<u>(78,898,093)</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (continued)

21 Expenses for acquisition of insurance contracts

	Three months ended		Six months ended	
	30 June 2011 AED	30 June 2010 AED	30 June 2011 AED	30 June 2010 AED
Commissions paid during the period	1,419,295	1,928,018	2,407,918	7,091,490
Other acquisition costs net of other underwriting income	21,379	(201,121)	(166,477)	(361,655)
Deferred acquisition costs at beginning of period	1,776,008	7,637,418	2,258,143	6,560,203
Deferred acquisition costs at end of period	(1,931,853)	(5,667,808)	(1,931,853)	(5,667,808)
	<u>1,284,829</u>	<u>3,696,507</u>	<u>2,567,731</u>	<u>7,622,230</u>

22 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The number of ordinary shares outstanding during the period was 400,000,000 shares.

	Three months ended		Six months ended	
	30 June 2011 AED	30 June 2010 AED	30 June 2011 AED	30 June 2010 AED
Net profit/(loss) attributable to equity shareholders	<u>22,035,013</u>	<u>(31,458,769)</u>	<u>13,793,757</u>	<u>(50,362,802)</u>
Weighted average number of ordinary shares issued	<u>400,000,000</u>	<u>400,000,000</u>	<u>400,000,000</u>	<u>400,000,000</u>
Earnings per share	<u>0.055</u>	<u>-</u>	<u>0.034</u>	<u>-</u>

23 Guarantees

	30 June 2011 AED	31 December 2010 AED	30 June 2010 AED
Guarantees	<u>10,635,474</u>	<u>8,199,285</u>	<u>10,614,119</u>

The above were issued in the ordinary course of business.

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (continued)

24 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 2011 AED	31 December 2010 AED	30 June 2010 AED
Related party balances			
Insurance receivables (Note 8)	<u>12,640,165</u>	<u>21,669,890</u>	<u>42,442,851</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 2011 AED	30 June 2010 AED
Net premiums written	<u>5,766,426</u>	<u>34,836,845</u>
Claims paid	<u>671,142</u>	<u>990,226</u>
Key management compensation		
Key management compensation	2,884,882	3,284,410
CEO remuneration	499,998	514,398
	<u>3,384,880</u>	<u>3,798,808</u>
Board remuneration	<u>-</u>	<u>1,500,000</u>

Al Khazna Insurance Company P.S.C.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011 (continued)

25 Cash flow from operating activities

	Notes	Six months ended	
		30 June 2011 AED	30 June 2010 AED
Profit/(loss) for the period		13,793,757	(50,326,802)
Adjustments for:			
Depreciation	4	1,122,061	1,040,667
Impairment on available for sale financial assets	6	949,630	8,796,412
(Gain)/loss on revaluation of investments at fair value through profit or loss	6	(6,528,742)	43,365,110
Provision for employees end of service benefit		466,593	366,263
Provision for impairment of receivables		2,919,757	-
Interest income		(105,046)	(128,876)
Interest expense		6,908,582	3,535,657
Net foreign exchange loss	6	-	10,520
Operating cash flows before change in operating assets and liabilities		19,526,592	6,658,951
Payment of employees service benefit		(194,641)	(369,238)
Decrease in deferred acquisition costs		326,290	892,394
Decrease in reinsurance contracts assets		12,104,718	6,288,550
(Decrease)/increase in insurance contract liabilities		(79,281,339)	34,827,553
(Decrease)/increase in unearned reinsurance commission		(744,724)	480,414
Decrease/(increase) in insurance and other receivables		25,498,785	(22,842,805)
Increase in advances		-	(917,178)
(Decrease)/increase in trade and other payables		(16,357,865)	2,639,911
Purchase of financial assets at fair value through profit or loss	6	-	(500,000)
Proceeds on sale of available-for-sale securities	6	-	1,030,000
Cash (used in)/generated from operations		(39,122,184)	28,188,552