Al Khazna Insurance Company
(Public Shareholding Company)

Condensed consolidated interim financial information for the nine months ended 30 September 2011 (Unaudited)

Al Khazna Insurance Company
(Public Shareholding Company)

Condensed consolidated interim financial information for the nine months ended 30 September 2011

Al Khazna Insurance Company
(Public Shareholding Company)

Board of Directors' report for the nine months ended 30 September 2011

Al Khazna Insurance Company P.S.C. is pleased to submit its third quarter report of 2011 together with the condensed consolidated interim financial information for the nine months ended 30 September 2011.

During the period, the Group managed to streamline its activities which resulted in the the reduction of losses for the period ended 30 September 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 a decrease in the Group's net loss for the period compared to the same period of last year.
Moreover, during the third quarter, the Group suffered significant loss from the decrease in the fair values of its financial assets at fair value through profit or loss.

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

Gross premium written decreased from AED 220.4 million for the nine months period ended 30 September 2010 to AED 86.7 million for the nine months period ended 30 September 2011.

The underwriting surplus increased from AED 4.8 million for the nine months period ended 30 September 2010 to AED 17.3 million for the nine months period ended 30 September 2011.

The net investment results for the period registered a gain of AED 9.59 million for the nine months period ended 30 September 2011 against a loss of AED 19 million in the nine months period ended 30 September 2010.

The net loss for the nine months period ended 30 September 2011 is AED 15.9 million against a net loss of AED 51.2 million for the nine months period ended 30 September 2010.

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

The total capital and reserves attributable to the Company's equity holders decreased to AED 599.2 million as at 30 September 2011 against AED 647.7 million as at 30 September 2010.

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

....

Director

...1.. November 2011

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 September 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 nine 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."

For PricewaterhouseCoopers

Jacques Fakhoury
Registration Auditor Number 379
..2... November 2011

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Al Khazna Insurance Company P.S.C.

Condensed consolidated interim statement of financial position

	Notes	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
ASSETS				
Property and equipment	4	9,579,168	9,750,093	5,422,887
Investment properties	5	461,442,935	461,442,935	469,981,000
Financial assets				
- Available-for-sale	6	122,982,400	135,194,967	108,962,066
- Held-to-maturity	6	-	18,332,500	18,332,500
- At fair value through profit or loss	6	187,559,554	199,878,932	174,894,132
Advances	7	23,601,026	23,601,026	60,648,930
Insurance and other receivables	8	127,578,723	150,610,798	173,444,646
Reinsurance contracts	9	132,450,051	143,661,406	175,465,467
Deferred acquisition costs	21	1,709,411	2,258,143	3,947,983
Bank deposits with an original maturity of more than 3 months	10	11,634,455	11,591,555	11,591,547
Cash and bank balances	11	15,924,028	43,281,463	72,831,284
Total assets		1,094,461,751	1,199,603,818	1,275,522,442
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	29,140,279	37,759,508	6,137,123
Revaluation reserve		11,736,841	11,736,841	11,736,841
Retained earnings		42,129,209	58,013,752	114,486,390
Total capital and reserves attributable to the Company's equity holders		599,179,079	623,682,851	647,689,772
LIABILITIES				
Insurance liabilities	9	196,537,457	278,626,107	325,273,577
Unearned reinsurance commission	19	4,272,607	4,794,270	6,815,501
Retirement benefit obligations	15	2,949,044	2,610,373	2,605,323
Bank borrowings	16	167,771,095	156,422,305	166,808,341
Trade and other payables	17	123,752,469	133,467,912	126,329,928
Total liabilities		495,282,672	575,920,967	627,832,670
Total equity and liabilities		1,094,461,751	1,199,603,818	1,275,522,442

The condensed consolidated interim financial information was authorised for issue on ..1.. November 2011 by:

....
Director

....
CEO

Al Khazna Insurance Company P.S.C.

Condensed consolidated interim income statement

	Notes	Three months ended 30 September 2011 AED	Three months ended 30 September 2010 AED	Nine months ended 30 September 2011 AED	Nine months ended 30 September 2010 AED
Insurance premium revenue	18	29,011,133	69,066,496	109,596,053	213,424,291
Insurance premium ceded to reinsurers	18	(17,683,843)	(25,991,548)	(57,155,649)	(84,351,685)
Net insurance premium revenue	18	11,327,290	43,074,948	52,440,404	129,072,606
Investment income		174,605	1,372,290	11,120,236	11,670,699
Net realised loss on available-for-sale financial assets	6	(2,643,708)	(543,557)	(3,593,338)	(9,339,969)
Net fair value (loss)/gain on financial assets at fair value through profit or loss	6	(19,345,035)	7,327,111	(12,816,293)	(36,037,999)
Reinsurance commissions	19	2,115,304	3,687,053	7,603,362	11,838,234
Net rental income from investment property		4,779,077	4,768,594	14,877,602	14,725,860
Other income		404,966	-	404,966	-
Net income		(3,187,501)	59,686,439	70,036,939	121,929,431
Insurance claims and loss adjustment expenses	20	(16,205,845)	(66,415,889)	(65,385,467)	(177,696,828)
Insurance claims and loss adjustment expenses recovered from reinsurers	20	5,050,227	19,846,246	26,222,562	52,229,092
Net insurance claims	20	(11,155,618)	(46,569,643)	(39,162,905)	(125,467,736)
Expenses for acquisition of insurance contracts	21	(1,052,488)	(3,049,306)	(3,620,219)	(10,671,536)
Expenses for marketing and administration		(10,714,555)	(7,530,102)	(32,661,638)	(26,655,967)
Expenses		(22,922,661)	(57,149,051)	(75,444,762)	(162,795,239)
Results of operating activities		(26,110,162)	2,537,388	(5,407,823)	(40,865,808)
Finance costs		(3,568,138)	(3,425,931)	(10,476,720)	(10,349,537)
Loss for the period		(29,678,300)	(888,543)	(15,884,543)	(51,215,345)
Attributable to:					
- Equity holders of the Company		(29,678,300)	(888,543)	(15,884,543)	(51,215,345)
Basic earnings per share	22	-	-	-	-

Al Khazna Insurance Company P.S.C.

Condensed consolidated interim statement of comprehensive income

	Notes	Three months ended 30 September 2011 AED	Three months ended 30 September 2010 AED	Nine months ended 30 September 2011 AED	Nine months ended 30 September 2010 AED
Loss for the period		(29,678,300)	(888,543)	(15,884,543)	(51,215,345)
Other comprehensive income					
Net fair value (loss)/gain on available-for-sale financial assets		(13,692,112)	3,855,229	(12,212,567)	(10,390,579)
Fair value loss transferred to income statement on impairment	6	2,643,708	543,557	3,593,338	9,339,969
Total other comprehensive (loss)/income		(11,048,404)	4,398,786	(8,619,229)	(1,050,610)
Total comprehensive (loss)/income for the period		(40,726,704)	3,510,243	(24,503,772)	(52,265,955)
Attributable to:					
- Owners of the Company		(40,726,704)	3,510,243	(24,503,772)	(52,265,955)

Al Khazna Insurance Company P.S.C.

Condensed consolidated interim statement of changes in equity

	Attributable to equity holders of the Company						
	Share capital AED	Share premium AED	Legal reserve AED	Regulatory reserve AED	Fair value and other reserves AED	Retained earnings AED	Total equity 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	-	-	-	-	-	(51,215,345)	(51,215,345)
Other comprehensive loss	-	-	-	-	(1,050,610)	-	(1,050,610)
Total comprehensive loss for the period	-	-	-	-	(1,050,610)	(51,215,345)	(52,265,955)
Dividends (Note 13)	-	-	-	-	-	(10,000,000)	(10,000,000)
At 30 September 2010	400,000,000	1,783,412	57,278,668	56,267,338	17,873,964	114,486,390	647,689,772
Balance at 1 January 2011	400,000,000	1,783,412	58,122,000	56,267,338	49,496,349	58,013,752	623,682,851
Loss for the period	-	-	-	-	-	(15,884,543)	(15,884,543)
Other comprehensive loss	-	-	-	-	(8,619,229)	-	(8,619,229)
Total comprehensive loss for the period	-	-	-	-	(8,619,229)	(15,884,543)	(24,503,772)
At 30 September 2011	400,000,000	1,783,412	58,122,000	56,267,338	40,877,120	42,129,209	599,179,079

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	Nine months ended 30 September 2011 AED	2010 AED
Net cash (used in)/generated from operating activities	25	(40,443,137)	34,173,281
Cash flows from investing activities			
Increase in bank deposits with original maturity of more than three months		(42,900)	(5,605,644)
Purchase of property and equipment	4	(1,586,287)	(721,450)
Proceeds from sale of property and equipment		297,807	20,706
Proceeds on maturity of debt securities		18,332,500	-
Interest received		738,566	1,574,959
Net cash generated from/(used in) investing activities		17,739,686	(4,731,429)
Cash flows from financing activities			
Repayment of bank loan		(503,295)	(24,559,588)
Dividends paid		(8,522,772)	-
Interest paid		(297,034)	(6,840,412)
Net cash used in financing activities		(9,323,101)	(31,400,000)
Net decrease in cash and cash equivalents		(32,026,552)	(1,958,148)
Cash and cash equivalents, beginning of the period		43,281,463	57,765,991
Cash and cash equivalents, end of the period	11	11,254,911	55,807,843

Non cash transactions

The principal non-cash transaction relate to the following:

(i) Accrued interest on bank borrowings of AED 10.5 million
(ii) An amount of AED 8.6 million was debited to fair value reserve reflecting the decrease in the fair value of available for sale financial assets at the balance sheet date.

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

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

During the nine months period ended 30 September 2011, the Group's subsidiaries, Pearl Capital Investments LLC and National Publishers LLC have incurred losses of AED 3.2 million (31 December 2010:AED 7 million) and AED 2.1 million (31 December 2010: AED 1.6 million) respectively, and as of 30 September 2011 reported net liabilities of AED 24.7 million (31 December 2010: AED 15.7 million) and AED 4.9 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 45 million (31 December 2010: AED 41.8 million) and AED 7.7 million (31 December 2010: AED 5.6 million) respectively exceeded half of the share capital of each of the subsidiaries as of 30 September 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 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 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.

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

The condensed consolidated interim financial information should be read in conjunction with the consolidated 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 recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

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.

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.

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.

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

The ownership is held by the Company and its subsidiaries.

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 at year end. 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.

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.

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.

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 and 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.

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
Nine months period ended 30 September 2011			
Net underwriting results	17,261	-	17,261
Expenses for marketing and administration	(27,377)	(5,285)	(32,662)
Net investment loss		(5,290)	(5,290)
Net rental income from investment property	-	14,878	14,878
Other income	-	405	405
Results of operating activities	(10,116)	4,708	(5,408)
At 30 September 2011			
Total assets	251,850	842,611	1,094,461
Nine months period ended 30 September 2010			
Net underwriting results	4,772	-	4,772
Expenses for marketing and administration	(21,108)	(5,548)	(26,656)
Net investment loss	-	(33,707)	(33,707)
Net rental income from investment property	-	14,726	14,726
Results of operating activities	(16,336)	(24,529)	(40,865)
At 30 September 2010			
Total assets	442,704	832,818	1,275,522

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.

3 Underwriting results of the insurance segment (continued)

	Nine months ended 30 September 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	7,527	22,617	9,916	11,726	34,891	86,677
Less: Ceded premiums	(6,369)	(6,898)	(966)	(11,138)	(28,892)	(54,263)
Net premium income	1,158	15,719	8,950	588	5,999	32,414
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	(643)	(11,572)	(5,398)	(377)	(3,737)	(21,727)
Net premium earned	1,240	20,940	22,816	802	6,642	52,440
Reinsurance commission	1,669	1,034	-	916	3,462	7,081
Add: Unearned reinsurance commission at start of period	888	1,335	-	380	2,192	4,795
Less: Unearned reinsurance commission at close of period	(826)	(734)	-	(496)	(2,217)	(4,273)
Reinsurance commission earned	1,731	1,635	-	800	3,437	7,603
Total net underwriting revenue	2,971	22,575	22,816	1,602	10,079	60,043
Claims paid	(4,558)	(33,747)	(61,203)	(3,909)	(19,157)	(122,574)
Less: Recovered claims	3,685	9,812	1,569	3,494	15,981	34,541
Net claims paid	(873)	(23,935)	(59,634)	(415)	(3,176)	(88,033)
Less: Net outstanding claims at start of the period	2,474	18,168	42,265	5,031	8,707	76,645
Add: Net outstanding claims at close of the period	(3,990)	(9,142)	(1,911)	(4,853)	(7,878)	(27,774)
Net claims incurred	(2,389)	(14,909)	(19,280)	(237)	(2,347)	(39,162)
Commission paid and net other acquisition (costs)/income	(958)	401	(226)	(133)	(2,155)	(3,071)
Add: Deferred acquisition costs at start of period	(404)	(186)	(391)	(209)	(1,068)	(2,258)
Less: Deferred acquisition cost at close of period	430	95	73	66	1,045	1,709
Expenses for acquisition of insurance contracts	(932)	310	(544)	(276)	(2,178)	(3,620)
Total net underwriting expenses	(3,321)	(14,599)	(19,824)	(513)	(4,525)	(42,782)

3 Underwriting results of the insurance segment (continued)

	Nine months ended 30 September 2011					
	Fire	**Motor**	**Medical**	**Marine and aviation**	**Accident and others**	**Total**
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Total net underwriting revenue b/f	2,971	22,575	22,816	1,602	10,079	60,043
Total net underwriting expenses b/f	(3,321)	(14,599)	(19,824)	(513)	(4,525)	(42,782)
Underwriting (deficit)/surplus	(350)	7,976	2,992	1,089	5,554	17,261
Expenses for marketing and administration	(2,377)	(7,144)	(3,132)	(3,704)	(11,020)	(27,377)
Net underwriting (deficit)/surplus	(2,727)	832	(140)	(2,615)	(5,466)	(10,116)

3 Underwriting results of the insurance segment (continued)

	Nine months ended 30 September 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	13,649	59,827	85,253	17,332	44,352	220,413
Less: Ceded premiums	(11,652)	(18,430)	(3,246)	(15,124)	(36,744)	(85,196)
Net premium income	1,997	41,397	82,007	2,208	7,608	135,217
Add: Net unearned premium reserve at start of the period	1,038	18,770	38,868	355	5,097	64,128
Less: Net unearned premium reserve at close of the period	(1,041)	(21,689)	(40,571)	(945)	(6,027)	(70,273)
Net premium earned	1,994	38,478	80,304	1,618	6,678	129,072
Reinsurance commission	2,558	3,259	-	1,425	4,874	12,116
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	(1,333)	(1,723)	-	(650)	(3,110)	(6,816)
Reinsurance commission earned	2,559	3,193	-	1,218	4,866	11,836
Total net underwriting revenue	4,553	41,671	80,304	2,836	11,544	140,908
Claims paid	(3,076)	(39,122)	(72,682)	(22,292)	(14,544)	(151,716)
Less: Recovered claims	2,691	11,674	114	20,344	12,659	47,482
Net claims paid	(385)	(27,448)	(72,568)	(1,948)	(1,885)	(104,234)
Less: Net outstanding claims at start of the period	2,919	7,914	15,894	8,377	9,108	44,212
Add: Net outstanding claims at close of the period	(73)	(20,929)	(28,238)	(5,439)	(10,763)	(65,442)
Net claims incurred	2,461	(40,463)	(84,912)	990	(3,540)	(125,464)
Commission paid and net other acquisition (costs)/income	(1,210)	198	(3,440)	(850)	(2,758)	(8,060)
Add: Deferred acquisition costs at start of period	(425)	(727)	(3,083)	(322)	(2,003)	(6,560)
Less: Deferred acquisition cost at close of period	622	275	1,179	330	1,542	3,948
Expenses for acquisition of insurance contracts	(1,013)	(254)	(5,344)	(842)	(3,219)	(10,672)
Total net underwriting expenses	1,448	(40,717)	(90,256)	148	(6,759)	(136,136)

3 Underwriting results of the insurance segment (continued)

	Nine months ended 30 September 2010					
	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	4,553	41,671	80,304	2,836	11,544	140,908
Total net underwriting expenses b/f	1,448	(40,717)	(90,256)	148	(6,759)	(136,136)
Underwriting surplus/(deficit)	6,001	954	(9,952)	2,984	4,785	4,772
Expenses for marketing and administration	(1,308)	(5,729)	(8,164)	(1,660)	(4,247)	(21,108)
Net Underwriting surplus/(deficit)	4,693	(4,775)	(18,116)	1,324	538	(16,336)

4 Property and equipment

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
Cost			
At beginning of period	21,046,241	15,407,290	15,407,290
Additions	1,586,287	1,480,168	721,450
Transfer from advances	-	8,217,384	-
Impairment of property under development	-	(3,988,650)	-
Disposals	(728,664)	(69,951)	(39,951)
At end of period	21,903,864	21,046,241	16,088,789
Depreciation			
At beginning of period	11,296,148	9,106,740	9,106,741
Charge for the period	1,690,686	2,208,653	1,578,406
Disposals	(662,138)	(19,245)	(19,245)
At end of period	12,324,696	11,296,148	10,665,902
Net book amount			
At end of period	9,579,168	9,750,093	5,422,887

5 Investment properties

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
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	461,442,935	461,442,935	469,981,000

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.

The Directors are of the view that there were no significant changes in the fair values of the properties from 31 December 2010 and 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.

6 Investments

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
Available-for-sale financial assets			
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	(3,593,338)	(14,729,453)	(9,339,969)
Foreign exchange loss charged to income statement	-	(10,520)	(10,518)
Foreign exchange loss charged to other comprehensive income	-	(406,480)	-
Net fair value (loss)/gain	(8,619,229)	30,978,257	(1,050,610)
At end of period	122,982,400	135,194,967	108,962,066

Details of available for sale financial assets:

Investment in quoted UAE securities carried at market value	64,448,754	69,295,778	54,656,673
Investment in unquoted UAE securities carried at fair value	58,533,646	65,899,189	10,031,276
Investment in unquoted UAE securities carried at cost	-	-	44,274,117
	122,982,400	135,194,967	108,962,066

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
Held-to-maturity financial assets			
Held to maturity investments	-	18,332,500	18,332,500

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.

6 Investments (continued)

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
Financial assets at fair value through profit or loss			
At beginning of period	199,878,932	210,963,250	210,963,250
Additions	1,121,085	500,000	500,000
Disposals	(624,170)	(429,581)	(531,119)
Net fair value loss	(12,816,293)	(11,154,737)	(36,037,999)
At end of period	187,559,554	199,878,932	174,894,132

Financial assets at fair value through profit and loss			
Investments in quoted UAE securities	135,035,697	146,211,127	118,220,332
Investment in quoted foreign securities	52,523,857	53,667,805	56,673,800
	187,559,554	199,878,932	174,894,132

7 Advances

Advances for purchase of real estate	23,601,026	23,601,026	57,910,478
Advances for purchase of securities	-	-	2,738,452
	23,601,026	23,601,026	60,648,930

The advance towards the purchase of real estate was initially made towards the purchase of plots of land in Dubai. Management is negotiating with the owner to convert the initial advance to a lease agreement of another property and recover the amount through commercial use.
However, since the agreement is not yet formalised and signed, management continues to classify this amount as an advance.

8 Insurance and other receivables

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
Due from contract holders	54,654,331	70,554,893	93,190,101
Due from agents, broker and intermediaries and reinsurers	50,385,727	47,213,955	52,231,449
Less: provision for impairment of receivables	(11,935,337)	(7,169,207)	(5,181,437)
Provision for reconciling differences in insurance companies receivable balances	-	-	(5,890,221)
	93,104,721	110,599,641	134,349,892
Other receivables			
Prepayments	2,254,251	2,199,825	3,095,807
Accrued rent	4,963,464	5,113,221	2,617,978
Accrued interest	17,803	637,867	305,898
Recoveries of claims from other insurance companies	14,586,076	16,567,282	14,091,101
Deposits and other receivables	12,652,408	15,492,962	18,983,970
	34,474,002	40,011,157	39,094,754
Total insurance and other receivables	127,578,723	150,610,798	173,444,646

9 Insurance liabilities and reinsurance contract assets

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
Gross			
Claims reported and loss adjustment expenses	135,723,889	190,799,239	186,094,337
Claims incurred but not reported	6,045,000	10,139,202	18,396,514
Unearned premiums provision	54,768,568	77,687,666	120,782,726
Total insurance liabilities, gross	196,537,457	278,626,107	325,273,577
Recoverable from reinsurers			
Claims reported and loss adjustment expenses	95,883,683	102,864,868	111,430,972
Claims incurred but not reported	3,524,692	4,862,086	13,524,792
Unearned premiums provision	33,041,676	35,934,452	50,509,703
Total reinsurers' share of insurance liabilities	132,450,051	143,661,406	175,465,467
Net			
Claims reported and loss adjustment expenses	39,840,206	87,934,371	74,663,365
Claims incurred but not reported	2,520,308	5,277,116	4,871,722
Unearned premiums provision	21,726,892	41,753,214	70,273,023
Total insurance liabilities, net	64,087,406	134,964,701	149,808,110

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

	30 September 2011 AED	31 December 2010 AED	30 September 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	1,591,547
	11,634,455	11,591,555	11,591,547

Restricted investment deposits 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.

11 Cash and cash equivalents

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

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
Cash and bank balances	15,924,028	43,281,463	72,831,284
Bank overdraft (Note 16)	(4,669,117)	-	(17,023,441)
	11,254,911	43,281,463	55,807,843

12 Share capital

The issued and paid up share capital as at 30 September 2011 comprised 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 nine month period ended 30 September 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.

14 Fair value reserve

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
At beginning of period	37,759,508	7,187,733	7,187,733
Fair value loss transferred to income statement on impairment	3,593,338	25,397,058	9,339,969
Net fair value (loss)/gain	(12,212,567)	5,174,717	(10,390,579)
At end of period	29,140,279	37,759,508	6,137,123

15 Retirement benefit obligations

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
At beginning of period	2,610,373	2,382,625	2,382,625
Charge for the period	782,334	744,538	696,044
Payments	(443,663)	(516,790)	(473,346)
At end of period	2,949,044	2,610,373	2,605,323

16 Bank borrowings

Bank loan	131,415,965	156,422,305	149,784,900
Bank overdrafts	36,355,130	-	17,023,441
	167,771,095	156,422,305	166,808,341

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 225 million.

The Bank has granted the Group a bank overdraft facility in return for the repayment of the two due installments on which the Group defaulted in 2011.

Included within bank overdrafts is a facility amounting to AED 30.9 million granted for the repayment of the bank loan installment and interest of AED 0.8 million accrued on this balance. 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 10.5 million (2010: AED 10.3 million).

17 Trade and other payables

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
Insurance payables	79,609,364	81,240,209	74,960,066
Dividends payable	18,785,936	27,308,708	27,314,475
Accruals and other payables	18,543,474	16,967,581	17,133,637
Rents received in advance	6,813,695	7,951,414	6,921,750
	123,752,469	133,467,912	126,329,928

18 Net insurance premium revenue

	Three months ended		Nine months ended	
	30 September 2011 AED	30 September 2010 AED	30 September 2011 AED	30 September 2010 AED
Premiums written	31,031,430	46,728,268	86,676,955	220,412,843
Change in unearned premium provision	(2,020,297)	22,338,228	22,919,098	(6,988,552)
Premium revenue	29,011,133	69,066,496	109,596,053	213,424,291
Premium ceded	(23,410,603)	(26,746,808)	(54,262,873)	(85,195,541)
Change in reinsurers' share of unearned premium provision	5,726,760	755,260	(2,892,776)	843,856
Premium revenue ceded to reinsurers on contracts issued	(17,683,843)	(25,991,548)	(57,155,649)	(84,351,685)
Net insurance premium revenue	11,327,290	43,074,948	52,440,404	129,072,606

19 Reinsurance commissions

	Three months ended		Nine months ended	
	30 September 2011 AED	30 September 2010 AED	30 September 2011 AED	30 September 2010 AED
Commission receivable from reinsurers	2,338,365	3,485,545	7,081,699	12,117,140
Unearned reinsurance commissions at beginning of period	4,049,546	7,017,009	4,794,270	6,536,595
Unearned reinsurance commissions at end of period	(4,272,607)	(6,815,501)	(4,272,607)	(6,815,501)
	2,115,304	3,687,053	7,603,362	11,838,234

20 Insurance claims

	Three months ended		Nine months ended	
	30 September 2011 AED	30 September 2010 AED	30 September 2011 AED	30 September 2010 AED
Paid claims, net of recoveries	(18,002,485)	(44,078,631)	(122,573,813)	(151,716,786)
Change in the provision for outstanding claims and IBNR	4,827,608	(22,788,735)	59,169,552	(28,289,505)
Change in outstanding claims recoveries	(3,030,968)	451,477	(1,981,206)	2,309,463
Gross claims incurred	(16,205,845)	(66,415,889)	(65,385,467)	(177,696,828)
Reinsurers' share of claims paid	9,883,624	8,721,363	34,541,141	47,481,353
Change in the reinsurers share of provision for outstanding claims and IBNR	(4,833,397)	11,124,883	(8,318,579)	4,747,739
Reinsurers' share of claims incurred	5,050,227	19,846,246	26,222,562	52,229,092
Claims and loss adjustments expenses, net of reinsurance	(11,155,618)	(46,569,643)	(39,162,905)	(125,467,736)

21 Expenses for acquisition of insurance contracts

	Three months ended		Nine months ended	
	30 September 2011 AED	30 September 2010 AED	30 September 2011 AED	30 September 2010 AED
Commissions paid during the period	841,445	1,476,443	3,249,363	8,567,933
Other acquisition costs net of other underwriting income	(11,399)	(146,962)	(177,876)	(508,617)
Deferred acquisition costs at beginning of period	1,931,853	5,667,808	2,258,143	6,560,203
Deferred acquisition costs at end of period	(1,709,411)	(3,947,983)	(1,709,411)	(3,947,983)
	1,052,488	3,049,306	3,620,219	10,671,536

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. During the period the Group incurred losses.

23 Guarantees

	30 September 2011 AED	31 December 2010 AED	30 September 2010 AED
Guarantees	11,649,806	8,199,285	11,034,119

The above were issued in the ordinary course of business.

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 September 2011 AED	31 December 2010 AED	30 September 2010 AED
Related party balances			
Insurance receivables (Note 8)	12,585,437	21,669,890	33,333,473

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.

	Nine months ended 30 September 2011 AED	Nine months ended 30 September 2010 AED
Net premiums written	7,983,718	39,211,100
Claims paid	671,142	1,490,500
Key management compensation		
Key management compensation	3,493,547	2,401,798
CEO remuneration	749,997	853,665
	4,243,544	3,255,463

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

25 Cash flow from operating activities

	Notes	Nine months ended 30 September 2011 AED	2010 AED
Loss for the period		(15,884,543)	(51,215,345)
Adjustments for:			
Depreciation	4	1,690,686	1,578,406
Profit on disposal of property and equipment		(231,281)	-
Impairment on available for sale financial assets	6	3,593,338	9,339,969
Loss on revaluation of investments at fair value through profit or loss	6	12,816,293	36,037,999
Provision for employees' end of service benefit	15	782,334	696,044
Provision for impairment of receivables		4,766,130	-
Interest income		(117,782)	(1,161,548)
Interest expense		10,476,720	10,349,537
Net foreign exchange loss	6	-	10,518
Operating cash flows before change in operating assets and liabilities		17,891,895	5,635,580
Payment of employees' end of service benefit	15	(443,663)	(473,346)
Decrease in deferred acquisition costs		548,732	2,612,219
Decrease/(increase) in reinsurance contracts assets		11,211,355	(5,591,595)
(Decrease)/increase in insurance contract liabilities		(82,088,650)	35,278,057
(Decrease)/increase in unearned reinsurance commission		(521,663)	278,906
Decrease/(increase) in insurance and other receivables		17,645,161	(15,321,717)
Increase in advances		-	(917,177)
(Decrease)/increase in trade and other payables		(4,189,389)	11,611,235
Purchase of financial assets at fair value through profit or loss	6	(1,121,085)	(500,000)
Proceeds on sale of available-for-sale securities	6	-	1,030,000
Proceeds on sale of financial assets at fair value through profit or loss	6	624,170	531,119
Cash (used in)/generated from operations		(40,443,137)	34,173,281