AL WATHBA NATIONAL INSURANCE COMPANY PJSC

Reports and financial statements for the year ended 31 December 2012

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Reports and financial statements
for the year ended 31 December 2012

BOARD OF DIRECTORS

Chairman	**H.E. Sheikh Saif Bin Mohammed Bin Butti Al Hamed**
Deputy Chairman	**Mr. Rashid Darwish Al Ketbi**
Directors	**Mr. Khalifa Saif Darwish Ahmed Al Ketbi**
	Mr. Saeed Omeir Bin Yousef
	Mr. Mohammed Saeed Al Qubaisi
	Mr. Ahmed Ali Khalfan Al Dhahry
	Mr. Shukry Al Muhairy
	Mr. Amer Abdul Jaleel Al Fahim
	Mr. Rasheed Ali Rasheed Naser Al Omeira
General Manager	**Mr. Bassam Adib Chilmeran**
Auditors	**Deloitte & Touche (M.E.)**

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Al Wathba National Insurance Company PJSC
Abu Dhabi, UAE

Report on the financial statements

We have audited the financial statements of Al Wathba National Insurance Company PJSC (the "Company"), which comprise the statement of financial position as at 31 December 2012, and the statements of income, comprehensive income, changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Company, and the information included in the Board of Directors' report is in agreement with the books of account. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended), UAE Federal Law No. (6) of 2007 concerning the establishment of the Insurance Authority and organization of its operations or the Articles of Association of the Company which might have a material effect on the financial position of the Company or on the results of its operations for the year.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
5 February 2013

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Deloitte & Touche

Statement of financial position
as at 31 December 2012

	Notes	2012 AED'000	2011 AED'000
ASSETS			
Property and equipment	5	5,224	4,485
Investment properties	6	284,337	301,837
Investment at amortised cost	7	8,670	-
Investment in associates	8	16,608	12,472
Investments carried at fair value through other comprehensive income (FVTOCI)	9	241,507	234,782
Investments carried at fair value through profit or loss (FVTPL)	10	37,990	-
Insurance receivables and prepayments	11	80,141	92,020
Re-insurance contract assets	13	160,068	135,622
Cash and bank balances	14	104,709	109,372
Total assets		939,254	890,590
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	180,000	120,000
Legal reserve	16	46,869	43,848
Statutory reserve	17	33,021	30,000
General reserve	18	23,323	23,323
Capital reserve	19	9,959	9,959
Investment revaluation reserve		20,593	3,869
Retained earnings		136,691	186,035
Total equity		450,456	417,034
Liabilities			
Employees' end of service benefit	21	6,244	5,184
Insurance contract liabilities	13	342,451	315,418
Bank overdraft	22	55,673	63,536
Trade and other payables	23	84,430	75,418
Term loan	22	-	14,000
Total liabilities		488,798	473,556
Total equity and liabilities		939,254	890,590

Sheikh Saif Bin Mohammed Bin Butti	**Rashid Darwish Al Ketbi**	**Bassam A Chilmeran**
Chairman	Managing Director	General Manager

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

Statement of income
for the year ended 31 December 2012

	Notes	2012 AED'000	2011 AED'000 (restated)
Gross premiums written		**384,253**	325,334
Change in unearned premium provision		**(23,732)**	(17,939)
Premium income earned		**360,521**	307,395
Reinsurance premium ceded		**(169,380)**	(143,205)
Change in unearned premium provision		**10,626**	9,658
Reinsurance ceded		**(158,754)**	(133,547)
Net premium earned		**201,767**	173,848
Gross claims incurred		**(226,712)**	(199,220)
Reinsurance share of claims recovered		**77,619**	69,969
Net claims incurred		**(149,093)**	(129,251)
Gross commission earned		**31,218**	30,744
Less: commission incurred		**(23,352)**	(21,168)
Net commission earned		**7,866**	9,576
Underwriting income		**60,540**	54,173
General and administrative expenses relating to underwriting	**24**	**(36,348)**	(31,571)
Net underwriting income		**24,192**	22,602
Other expenses	**24**	**(3,053)**	(7,931)
Net investment income	**25**	**10,915**	5,937
Share of income/(loss) of associates	**8**	**884**	(159)
Finance costs		**(2,723)**	(4,640)
Profit for the year	**26**	**30,215**	15,809
Basic and diluted earnings per ordinary share (AED)	**27**	**0.168**	0.088

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

Statement of comprehensive income
for the year ended 31 December 2012

	2012 AED'000	2011 AED'000
Profit for the year	**30,215**	15,809
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss:		
Increase/(decrease) in fair value of investments classified at FVTOCI	**15,925**	(29,311)
(Loss)/gain on disposal of investments classified at FVTOCI	**(88)**	262
Board of directors' remuneration for the year 2011	**(630)**	-
Other comprehensive income/(loss) for the year	**15,207**	(29,049)
Total comprehensive income/(loss) for the year	**45,422**	(13,240)

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

Statement of changes in equity
for the year ended 31 December 2012

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2012	120,000	43,848	30,000	23,323	9,959	3,869	186,035	417,034
Profit for the year	-	-	-	-	-	-	30,215	30,215
Other comprehensive income for the year	-	-	-	-	-	15,925	(718)	15,207
Total comprehensive income for the year	-	-	-	-	-	15,925	29,497	45,422
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	-	-	799	(799)	-
Issuance of bonus shares	60,000	-	-	-	-	-	(60,000)	-
Transfer to legal reserve	-	3,021	-	-	-	-	(3,021)	-
Transfer to statutory reserve	-	-	3,021	-	-	-	(3,021)	-
Dividends paid for the year 2011	-	-	-	-	-	-	(12,000)	(12,000)
Balance at 31 December 2012	**180,000**	**46,869**	**33,021**	**23,323**	**9,959**	**20,593**	**136,691**	**450,456**

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

Statement of changes in equity
for the year ended 31 December 2012 (continued)

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2011	120,000	42,267	30,000	23,323	9,959	24,560	192,165	442,274
Profit for the year	-	-	-	-	-	-	15,809	15,809
Other comprehensive loss for the year	-	-	-	-	-	(29,311)	262	(29,049)
Total comprehensive loss for the year	-	-	-	-	-	(29,311)	16,071	(13,240)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	-	-	8,620	(8,620)	-
Transfer to legal reserve	-	1,581	-	-	-	-	(1,581)	-
Dividends paid for the year 2010	-	-	-	-	-	-	(12,000)	(12,000)
Balance at 31 December 2011	120,000	43,848	30,000	23,323	9,959	3,869	186,035	417,034

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

Statement of cash flows
for the year ended 31 December 2012

	2012 AED'000	2011 AED'000
Cash flows from operating activities		
Profit for the year	**30,215**	15,809
Adjustments for:		
Decrease in fair value of investment properties	**17,500**	15,000
Finance costs	**2,723**	4,640
Provision for employees' end of service benefits	**1,206**	1,432
Depreciation of property and equipment	**524**	1,341
Gain on sale of property and equipment	**(9)**	-
Gain on disposal of investments at FVTPL	**(486)**	-
Share of (income)/loss of associates	**(884)**	159
Interest income	**(1,008)**	(1,684)
Allowance for receivables, net of recoveries	**(1,462)**	2,619
Gain on revaluation of investments at FVTPL	**(4,158)**	-
Dividend income	**(10,071)**	(7,196)
Cash flow from operating activities before movements in working capital	**34,090**	32,120
Net movement in re-insurance contract assets	**(24,446)**	(5,469)
Net movement in insurance contract liabilities	**27,033**	18,813
Decrease in insurance receivables and prepayments	**13,341**	4,036
Increase/(decrease) in trade and other payables	**8,788**	(3,317)
Cash from operating activities	**58,806**	46,183
Finance costs paid	**(2,723)**	(4,640)
Employees' end of service benefits paid	**(146)**	(431)
Net cash generated from operating activities	**55,937**	41,112
Cash flows from investing activities		
Payments for purchase of property and equipment	**(1,263)**	(1,025)
Proceeds from disposal of property and equipment	**9**	-
Purchase of investments carried at FVTOCI	**(3,857)**	(12,511)
Proceeds from disposal of investments carried at FVTOCI	**9,311**	22,594
Payments for purchase of investments at FVTPL	**(55,489)**	-
Proceeds from disposal of investments at FVTPL	**22,143**	-
Payments for purchase of investment at amortised cost	**(8,670)**	-
(Increase)/decrease in term deposits with original maturity over 3 months	**(11,748)**	6,049
Increase in statutory deposits	**(1,500)**	-
Interest received	**1,030**	1,684
Dividend income received	**10,049**	7,196
Net cash (used in)/from investing activities	**(39,985)**	23,987

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

Statement of cash flows
for the year ended 31 December 2012 (continued)

	2012 AED'000	2011 AED'000
Cash flows from financing activities		
Dividends paid	**(12,000)**	(12,000)
Repayment of term loan	**(14,000)**	(10,000)
Net cash used in financing activities	**(26,000)**	(22,000)
Net (decrease)/increase in cash and cash equivalents	**(10,048)**	43,099
Cash and cash equivalents at beginning of the year	**24,092**	(19,007)
Cash and cash equivalents at end of the year (note 14)	**14,044**	24,092

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

Notes to the financial statements
for the year ended 31 December 2012

1 General information

Al Wathba National Insurance Company PJSC (the "Company"), incorporated in Abu Dhabi, is registered as a public shareholding company in accordance with the Federal Law No. (8) of 1984 (as amended).

The Company is registered in accordance with UAE Federal Law No. 6 of 2007 concerning Insurance Companies and Agents, and is registered in the Insurance Companies Register under registration No. 2.

The Company's principal activity is the transaction of general insurance and re-insurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain and Sharjah. The Company is domiciled in the United Arab Emirates and its registered head office is P.O. Box 45154, Abu Dhabi, United Arab Emirates.

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

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs applied with no material effect on the financial statements

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

New and revised IFRSs	Summary of requirement
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
Amendment to IAS 12 *Income Taxes relating to Deferred Tax – Recovery of Underlying Assets*	Amends IAS 12 *Income Taxes* to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 *Investment Property* will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

2 Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised IFRSs	Summary of requirement
Amendment to IFRS 1 *Severe Hyperinflation*	The amendments provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
Amendment to IFRS 1 *Removal of Fixed Dates for First-time Adopters*	The amendment replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs

2.2 New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements* relating to grouping items recognised in other comprehensive income	1 July 2012
IAS 19 *Employee Benefits* (as revised in 2011)	1 January 2013
IAS 27 *Separate Financial Statements* (as revised in 2011)	1 January 2013
IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)	1 January 2013
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* relating to accounting for government loans at below market interest rate	1 January 2013
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to offsetting financial assets and liabilities	1 January 2013
IFRS 10 *Consolidated Financial Statements*	1 January 2013
IFRS 11 *Joint Arrangements*	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013

Notes to the financial statements
for the year ended 31 December 2012 (continued)

2 Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Improvements to IFRSs issued in 2011 and 2012 covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34	1 January 2013
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to IAS 32 *Financial Instruments: Presentation* relating to offsetting financial assets and liabilities	1 January 2014
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities* relating to requirements to provide comparative information	1 January 2013
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 *Separate Financial Statements* relating to investment entities and exemption of consolidation of particular subsidiaries	1 January 2014

Management anticipates that the adoption of these IFRSs in future periods will have no material impact on the financial statements of the Company in the period of initial application.

2.3 Standards adopted before effective date

During the year 2010, the Company adopted IFRS 9 *Financial Instruments* (IFRS 9) in advance of its effective date. Refer to Notes 3.10 and 3.11 for the accounting policies regarding financial instruments.

3 Summary of significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of UAE Federal Law No. 6 of 2007 concerning Insurance Companies and Agents.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and investment properties. Historical cost is generally based on fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below:

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts

Definition

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 25% more than the benefits payable if the insured event did not occur.

Recognition and measurement

Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

These contracts are casualty and property insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

For all these insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

Re-insurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as re-insurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Company is entitled under its re-insurance contracts held are recognised as re-insurance contract assets. The Company assesses its re-insurance contract assets for impairment on a regular basis. If there is objective evidence that the re-insurance contract asset is impaired, the Company reduces the carrying amount of the re-insurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the end of the reporting period, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the end of the reporting period and is estimated using the time proportionate method. The unearned premium calculated by the above method (after reducing the reinsurance share) complies with the minimum unearned premium amounts to be maintained using the 25% and 40% method for marine and non-marine business respectively, as required by UAE Federal Law No. 6 of 2007, as amended, concerning Insurance Companies and Agents.

The re-insurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as re-insurance contract assets in the financial statements.

Deferred policy acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are amortised over the terms of the policies as premium is earned.

Salvage and subrogation reimbursements

Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs. Any deficiency is immediately charged to profit or loss initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.4 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of income during the financial period in which they are incurred.

Depreciation is calculated so as to write off the cost of property and equipment less their estimated residual values, on a straight line basis over their expected useful economic lives, as follows:

Furniture, fixtures and office equipment	2 – 4 years
Motor vehicles	4 years
Building	20 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3.5 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss for the period in which they arise.

3.6 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.6 Impairment of non-financial assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.7 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.8 Employee benefits

Accrual is made for the full amount of end of service benefits due to non-UAE national employees in accordance with UAE Labour Law, for their period of service up to the end of the reporting period.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (9) of 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees' period of service.

3 Summary of significant accounting policies (continued)

3.9 Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with *IFRS 5, Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognised, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where the Company transacts with an associate, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

3.10 Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

3.10.1 Classification of financial assets

The Company classifies its financial assets under the following categories: 'loans and receivables', investments at fair value through other comprehensive income (FVTOCI), investments at fair value through profit or loss (FVTPL), and investments at amortised cost.

3 Summary of significant accounting policies (continued)

3.10 Financial assets (continued)

3.10.2 Financial assets at amortised cost and the effective interest method

Cash and cash equivalents

Cash and cash equivalents which include cash on hand and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

Insurance receivables

Insurance receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short- term receivables when the recognition of interest would be immaterial.

3.10.3 Financial assets at FVTPL

Investments in equity instruments are mandatorily classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition as described in note 3.10.4 below.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the 'net investment and other income' line item in the profit and loss. Fair value is determined with reference to quoted prices.

3.10.4 Financial assets at FVTOCI

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.10 Financial assets (continued)

3.10.5 Impairment of financial assets at amortised cost

Financial assets that are measured at amortised cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, reflecting the impact of collateral and guarantees, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3.10.6 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

3 Summary of significant accounting policies (continued)

3.11 Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities comprised of insurance payables and other liabilities, term loan and bank overdraft are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3.12 Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders.

3 Summary of significant accounting policies (continued)

3.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease and is stated net of related expenses.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

Dividend income

Dividend income is recognised when the Company's right to receive the payment has been established.

Commission income and expenses

Commission income is recognised when re-insurance is entered into and commission expenses are recognised when the policies are issued based on the terms and percentages agreed with other insurance companies and/or brokers.

3.14 Foreign currencies

For the purpose of these financial statements, UAE Dirhams (AED) is the functional and the presentation currency of the Company.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

4 Critical accounting judgments and key sources of estimation of uncertainty

While applying the accounting policies as stated in Note 3, management of the Company has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimates made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

4.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI, FVTPL or amortised cost. In judging whether investments in securities are as at FVTOCI, FVTPL or amortised cost, Management has considered the detailed criteria for determination of such classification as set out in IFRS 9 *Financial Instruments* in 2011. Management is satisfied that its investments in securities are appropriately classified.

4.2 Impairment of amounts due from policy holders

An estimate of the collectible amount from policy holders is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired entails the management's evaluation of the specific credit and liquidity position of the policy holders and their historical recovery rates including detailed investigations carried out during 2012 and feedback received from the legal department. Impairment of amounts due from policy holders at 31 December 2012 is AED 16.7 million (2011: AED 22.8 million).

4.3 The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made at the end of the reporting period both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4 Critical accounting judgments and key sources of estimation of uncertainty (continued)

4.4 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

4.5 Impairment of investments in associates

After application of equity method of accounting, the Company determines whether it is necessary to recognise for any additional impairment loss on the carrying value of the investment in associate by comparing its recoverable amount with the higher of value in use or fair value less costs to sell with its carrying amount. Based on the above analysis, management determined that the impairment on investment in associates at 31 December 2012 amounted to AED Nil (2011: AED Nil).

4.6 Impairment of amounts due from insurance and re-insurance companies

Management regularly reviews the collectability of amounts due from insurance and re-insurance companies. The majority of these receivables are due from reputable local and international insurance and re-insurance companies. Such balances are regularly reconciled by both parties and are settled by on account payments on a regular basis. Based on above evaluation, Management is satisfied that no impairment is necessary on receivables from insurance and re-insurance companies

Notes to the financial statements
for the year ended 31 December 2012 (continued)

5 Property and equipment

	Buildings AED'000	Motor vehicles AED'000	Furniture and equipment AED'000	Total AED'000
Cost				
1 January 2011	4,741	659	5,587	10,987
Additions	-	-	1,025	1,025
1 January 2012	4,741	659	6,612	12,012
Additions	-	30	1,233	1,263
Eliminated on disposal	-	(15)	-	(15)
31 December 2012	**4,741**	**674**	**7,845**	**13,260**
1 January 2011	-	659	5,527	6,186
Charge for the year	316	-	1,025	1,341
1 January 2012	316	659	6,552	7,527
Charge for the year	316	5	203	524
Eliminated on disposal	-	(15)	-	(15)
31 December 2012	**632**	**649**	**6,755**	**8,036**
Carrying amount				
31 December 2012	**4,109**	**25**	**1,090**	**5,224**
31 December 2011	4,425	-	60	4,485

All property and equipment are located in the United Arab Emirates.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

6 Investment properties

	Land AED'000	Buildings AED'000	Investment properties under construction AED'000	Total AED'000
At 1 January 2011	90,000	192,650	34,187	316,837
Transfers	26,894	-	(26,894)	-
Changes in fair value	(21,850)	6,850	-	(15,000)
At 1 January 2012	95,044	199,500	7,293	301,837
Changes in fair value	(20,400)	2,900	-	(17,500)
31 December 2012	**74,644**	**202,400**	**7,293**	**284,337**

Investment properties comprise the following:

(a) Abu Dhabi Head Office building

The construction of this building was completed during 2004. The Company occupies three floors of the building for its Head Office with the remaining sixteen floors available for letting to third parties. The fair value of this property is estimated to be AED 173.0 million (2011: AED 170.0 million).

(b) Al Jumeirah Island Commercial Villas

This property consists of five villas in Dubai available for letting to third parties. The fair value of this property is estimated to be AED 28.5 million (2011: AED 28.5 million).

(c) Al Nakheel Flat

This property is located at Al Nakheel building, The Greens, Dubai, and is available for letting to third parties. The fair value of this property is estimated to be AED 0.9 million (2011: AED 1 million).

(d) Land in Dubai Technology, Electronic, Commerce and Media Free Zone Authority

The freehold land in Dubai was purchased in 2004. The fair value of this plot of land in Dubai is estimated to be AED 81.9 million (2011: AED 102.3 million).

The fair value of the investment properties has been arrived at on the basis of valuations carried out by M/s Pioneers Surveyors and Loss Adjusters, P.O. Box 55476, Dubai, United Arab Emirates, Chartered Surveyors that are not related to the Company, on an open market value basis as at 31 December 2012. The valuations were arrived at by reference to market evidence of transactions and prices of similar properties.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

6 Investment properties (continued)

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

	2012 **AED'000**	2011 AED'000
Rental income	**14,724**	14,480
Direct operating expenses	**(2,472)**	(2,352)
	12,252	12,128

7 Investment at amortised cost

Included in investment at amortised cost is a five-year sukuk amounting to AED 5,000,000 (2011: AED Nil) which bears interest of 6-month EIBOR + 300 bps or 6.25%, whichever is higher, and a USD 1,000,000 (2011: USD Nil) perpetual sukuk which carries interest at 6.375 per annum.

8 Investment in associates

Details of Company's associates as of 31 December are as follows:

Name of the associate	**Principal activities**	**Place of incorporation**	**Voting power %**		**Ownership interest %**	
			2012	2011	**2012**	2011
Vision Insurance SAOC	Insurance business	Sultanate of Oman	**20%**	20%	**20%**	20%
Vision Capital Brokerage Company L.L.C.	Provision of share brokerage services	United Arab Emirates	**10%**	10%	**10%**	10%
UR International Insurance	Insurance business	Iraq	**40%**	-	**40%**	-

Although the Company holds less than 20% of the voting power in Vision Capital Brokerage Company L.L.C., as at the end of the reporting period it exercised significant influence by virtue of its representation on the Board of Directors of this company.

8 Investment in associates (continued)

	2012 AED'000	2011 AED'000
Associate's statement of financial position:		
Total assets	**172,249**	165,505
Total liabilities	**(92,821)**	(76,170)
Associates' net assets	**79,428**	89,335
Company's share of associates' net assets	**16,608**	12,472
Total revenue	**100,761**	83,135
Income/(loss) for the year	**5,776**	(4,170)
Company's share of associates' income/(loss) for the year	**884**	(159)

The movement on investment in associates during the year was as follows:

	2012 AED'000	2011 AED'000
At 1 January	**12,472**	12,631
Transferred from investment carried at FVTOCI (note 9)	**3,252**	-
Share of income/(loss) of associates	**884**	(159)
At 31 December	**16,608**	12,472

9 Investments carried at fair value through other comprehensive income (FVTOCI)

The Company's investments carried at fair value through other comprehensive income (FVTOCI) at the end of the reporting period are detailed below.

	2012 AED'000	2011 AED'000
Quoted securities	**221,993**	217,868
Unquoted securities	**19,514**	16,914
	241,507	234,782

9 Investments carried at fair value through other comprehensive income (FVTOCI) (continued)

The movement in investments during the current year is as follows:

	2012 AED'000	2011 AED'000
Fair value at 1 January	**234,782**	273,914
Purchases	**3,857**	12,511
Disposals	**(9,399)**	(22,332)
Transferred to investment in associate (note 8)	**(3,252)**	-
Transferred to a related party	**(406)**	-
Increase/(decrease) in fair value	**15,925**	(29,311)
Fair value as at 31 December	**241,507**	234,782

The geographical distribution of investments is as follows:

	2012 AED'000	2011 AED'000
Within UAE	**234,795**	222,182
Outside UAE	**6,712**	12,600
	241,507	234,782

10 Investments carried at fair value through profit or loss (FVTPL)

Investments at fair value through profit or loss (FVTPL) consist of investments in quoted UAE securities.

The movement in investments at FVTPL during the year is as follows:

	2012 AED'000	2011 AED'000
Purchases	**55,489**	-
Disposals	**(21,657)**	-
Increase in fair value	**4,158**	-
Fair value at end of year	**37,990**	-

Notes to the financial statements
for the year ended 31 December 2012 (continued)

11 Insurance receivables and prepayments

	2012 AED'000	2011 AED'000
Policy holders	**64,155**	71,633
Policy holders – related parties (note 12)	**16,888**	22,550
Provision for impairment	**(16,721)**	(22,756)
	64,322	71,427
Due from insurance and reinsurance companies	**8,659**	13,778
Prepayments and other receivables	**7,160**	6,815
	80,141	92,020

The average credit period on insurance contracts is 90 days. No interest is charged on insurance and other receivables.

Included in the Company's insurance and other receivable balances are receivables with a carrying amount of AED 35 million (2011: AED 36 million) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in the credit quality of the receivables and the amounts are still considered recoverable.

Before accepting any new customer, the Company assesses the potential customers' credit quality and defines credit limits by customer. In determining the recoverability of an insurance receivable, the Company considers any change in the credit quality of the insurance receivables from the date credit was initially granted up to the reporting date.

Of the due from policy holders balance at the end of year, AED 18.7 million (2011: AED 31.2 million) is due from the Company's 5 largest customers. There are 10 (2011: 10) other customers who represent more than 24% (2011: 35%) of the total balance of due from policy holders.

Ageing of insurance receivables:

	2012 AED'000	2011 AED'000
Not past due	**29,424**	34,975
Past due but not impaired		
91 to 180 days	**18,178**	13,105
181 to 365 days	**6,226**	17,417
More than 1 year	**10,494**	5,930
	34,898	36,452

Notes to the financial statements
for the year ended 31 December 2012 (continued)

11 Insurance receivables and prepayments (continued)

Ageing of insurance receivables: (continued)

	2012 AED'000	2011 AED'000
Past due and impaired		
181 to 365 days	**4,855**	6,469
More than 1 year	**11,866**	16,287
	16,721	22,756
Total due from policy holders	**81,043**	94,183

Movement in the allowance of doubtful debts:

	2012 AED'000	2011 AED'000
At 1 January	**22,756**	20,227
Charge for the year	**9,169**	2,619
Amounts written off during the year	**(4,573)**	(90)
Amounts recovered during the year	**(10,631)**	-
At 31 December	**16,721**	22,756

12 Related parties

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

	2012 AED'000	2011 AED'000
Gross premiums written	**27,524**	29,328
Claims paid	**(5,448)**	(3,753)
Directors' remuneration	**630**	-
Transfer of investment in associate to a related party	**406**	-
Remuneration of key management personnel:		
Short term benefits	**4,880**	4,657
Employees' end of service benefits	**282**	280
	5,162	4,937

Notes to the financial statements
for the year ended 31 December 2012 (continued)

12 Related parties (continued)

The remuneration of Directors is paid as an appropriation out of the profit of the year. In respect of the current year, Directors' remuneration amounting to AED 630,000 has been proposed. The remuneration of Directors is subject to approval by the Shareholders at the Annual General Meeting and as per limits set by the Commercial Companies Law No.8 of 1984, as amended.

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

The Company does not have any past history of significant defaults of balances due from related parties since the majority of the counter-parties are parties owned by the Shareholders. There is no provision for impairment of balances due from related parties at 31 December 2012 and 2011.

The table below summarises the total outstanding balances with:

	2012	2011
	AED'000	AED'000
Included under policy holders-related parties (classified under insurance receivables and prepayments):		
Due from related parties	**13,332**	20,232
Included under trade and other payables:		
Due to related parties	**3,556**	2,318

Notes to the financial statements
for the year ended 31 December 2012 (continued)

13 Insurance contract liabilities

	2012 AED'000	2011 AED'000
Insurance liabilities		
- Claims reported unsettled	**188,029**	188,728
- Claims incurred but not reported	**5,000**	1,000
- Unearned premiums	**149,422**	125,690
	342,451	315,418
Recoverable from re-insurers		
- Claims reported unsettled	**96,375**	82,555
- Unearned premiums	**63,693**	53,067
	160,068	135,622
Insurance liabilities - net		
- Claims reported unsettled	**91,654**	106,173
- Claims incurred but not reported	**5,000**	1,000
- Unearned premiums	**85,729**	72,623
	182,383	179,796

Notes to the financial statements
for the year ended 31 December 2012 (continued)

13 Insurance contract liabilities (continued)

Movements in the insurance contract liabilities and re-insurance contract assets during the year were as follows:

	2012			2011		
	Gross	**Re-insurance**	**Net**	Gross	Re-insurance	Net
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Claims						
Notified claims	**188,728**	**82,555**	**106,173**	187,854	86,744	101,110
Incurred but not reported	**1,000**	**-**	**1,000**	1,000	-	1,000
Total at the beginning of the year	**189,728**	**82,555**	**107,173**	188,854	86,744	102,110
Claims settled	**(223,411)**	**(63,799)**	**(159,612)**	(198,346)	(74,158)	(124,188)
Increase in liabilities	**226,712**	**77,619**	**149,093**	199,220	69,969	129,251
Total at the end of the year	**193,029**	**96,375**	**96,654**	189,728	82,555	107,173
Notified claims	**188,029**	**96,375**	**91,654**	188,728	82,555	106,173
Incurred but not reported	**5,000**	**-**	**5,000**	1,000	-	1,000
Total at the end of the year	**193,029**	**96,375**	**96,654**	189,728	82,555	107,173
Unearned premium						
Total at the beginning of the year	**125,690**	**53,067**	**72,623**	107,751	43,409	64,342
Increase during the year	**384,253**	**169,380**	**214,873**	325,334	143,205	182,129
Release during the year	**(360,521)**	**(158,754)**	**(201,767)**	(307,395)	(133,547)	(173,848)
Net increase during the year	**23,732**	**10,626**	**13,106**	17,939	9,658	8,281
Total at the end of the year	**149,422**	**63,693**	**85,729**	125,690	53,067	72,623

Notes to the financial statements
for the year ended 31 December 2012 (continued)

14 Cash and cash equivalents

	2012 AED'000	2011 AED'000
Bank and cash	**60,191**	65,799
Term deposits	**44,518**	43,573
Cash and bank balances	**104,709**	109,372
Bank overdraft	**(55,673)**	(63,536)
Term deposits with original maturity over 3 months	**(28,992)**	(17,244)
Statutory deposits	**(6,000)**	(4,500)
Cash and cash equivalents	**14,044**	24,092

Term deposits are held locally in financial institutions. The original maturity ranges from one to twelve months. Interest is receivable at annual rates ranging from 0.5% to 3.0% per annum (2011: 1.0% to 3.5% per annum).

In accordance with the requirements of Federal Law No. 6 of 2007, concerning Insurance Companies and Agents, the Company maintains a bank deposit of AED 6,000,000 (2011: AED 4,500,000) which cannot be utilised without the consent of the UAE Insurance Authority.

15 Share capital

	2012 AED' 000	2011 AED' 000
Authorised, issued and fully paid		
180,000,000 (2011: 120,000,000) ordinary shares of AED 1 each	**180,000**	120,000

At the Annual General Meeting held on 14 March 2012, the Shareholders approved the distribution of cash dividends of AED 0.10 per ordinary share amounting to AED 12,000,000 and bonus shares of 50%, amounting to AED 60,000,000. The Company has completed the registration formalities with the concerned authorities in relation to the capital increase.

16 Legal reserve

In accordance with the UAE Federal Law number (8) of 1984 (as amended) concerning Commercial Companies, 10% of profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

17 Statutory reserve

As required by the Company's Article of Association, 10% of the profit for the year is required to be transferred to the statutory reserve until the balance of the statutory reserve equals 25% of the Company paid up share capital. This reserve is not available for distribution.

18 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors as per the authority granted to them in the Company's Article of Association. This reserve may be used for such purposes as they deem fit.

19 Capital reserve

In accordance with the Board of Directors' resolution which was adopted by the Shareholders in their Annual General Meeting held on 19 May 1999, this reserve is earmarked for the settlement of any claims with respect to the compensating the old non-national shareholders. In 2012, AED Nil (2011: AED Nil) was paid to previous shareholders.

20 Proposed cash dividends and bonus shares

In respect of the current year, the Board of Directors propose a cash dividend of AED 0.10 per share (2011: AED 0.10 per share) amounting to AED 18 million (2011: AED 12 million) and bonus shares of Nil% (2011: 50%). The cash dividend and bonus shares are subject to the approval of the Shareholders at the Annual General Meeting.

21 End of service benefits

	2012 AED'000	2011 AED'000
At 1 January	**5,184**	4,183
Charge for the year	**1,206**	1,432
Paid during the year	**(146)**	(431)
At 31 December	**6,244**	5,184

22 Bank borrowings

	2012 AED'000	2011 AED'000
Bank overdraft	**55,673**	63,536
Term loan	**-**	14,000
	55,673	77,536
The borrowings are repayable as follows:		
On demand or within one year	**55,673**	73,536
In the second year	**-**	4,000
	55,673	77,536
Less: Amount due for settlement within 12 months	**(55,673)**	(73,536)
Amount due for settlement after 12 months	**-**	4,000

Bank overdraft

This represents bank overdraft on the Company's banking accounts. Interest is charged at the rate of 1 month EIBOR plus 2.5% per annum.

The bank overdraft is secured by the pledge over local shares with market value of AED 87.0 million. The Bank reserves the right to charge penalty interest at 2% per annum over and above the stipulated interest rate for any balances and or drawings in excess of the eligible limit, which represents the value of existing shares pledged with the Bank.

Term loan

A term loan was obtained in prior years from a local bank to finance the construction of the Abu Dhabi Head Office building. The loan was repayable over a period of 2 years. It carried interest at a variable rate of EBOR plus 2% per annum. The loan was secured by first degree mortgage on a commercial building on Plot No. C-128, Sector East 11 Abu Dhabi, assignment of rental income generated from the mentioned property and assignment of insurance policies of the same property. The loan has been fully repaid during the year.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

23 Trade and other payables

	2012 AED'000	2011 AED'000
Accounts payable	18,499	17,055
Due to related parties (note 12)	3,556	2,318
Insurance and reinsurance balances payable	39,200	34,198
Accrued expenses	18,397	16,775
Other payables	4,778	5,072
	84,430	75,418

The average credit period is 60 days. No interest is charged on account payable. The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

24 Other expenses

	2012 AED'000	2011 AED'000 (restated)
Staff costs	30,384	27,232
Fees and licenses	2,992	2,882
Rent	995	550
Depreciation on property and equipment	524	1,341
(Reversals)/allowance for doubtful receivables, net	(1,462)	2,619
Other	5,968	4,878
	39,401	39,502
Allocated to:		
Underwriting	36,348	31,571
Other expenses	3,053	7,931
	39,401	39,502

Notes to the financial statements
for the year ended 31 December 2012 (continued)

25 Net investment income

	2012 AED'000	2011 AED'000
Rental income, net	12,252	12,128
Changes in fair value of investment properties	(17,500)	(15,000)
Gain on disposal of investments at FVTPL	486	-
Increase in fair value of investments at FVTPL	4,158	-
Dividend income	10,071	7,196
Interest income	1,008	1,684
Other	440	(71)
	10,915	5,937

26 Profit for the year

Profit for the year has been arrived at after charging the following:

	2012 AED'000	2011 AED'000
Staff costs	30,384	27,159
Depreciation of property and equipment	524	1,341

27 Earnings per share

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

	2012	2011
Profit for the year (AED'000)	30,215	15,809
Weighted number of shares in issue throughout the year	180,000,000	180,000,000
Basic earnings per share (AED)	0.168	0.088

The earnings per share for the year ended 31 December 2011 were adjusted for the bonus shares issued during 2012. As of 31 December 2012 and 2011, the Company has not issued any instruments that have an impact on earnings per share when exercised.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

28 Insurance risks

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the estimated amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an accident year basis for motor and an underwriting year basis for non-motor:

Non-Motor - Gross:

Underwriting year	**2008 & earlier AED'000**	**2009 AED'000**	**2010 AED'000**	**2011 AED'000**	**2012 AED'000**	**Total AED'000**
At the end of the underwriting year	89,417	22,377	44,504	55,648	50,472	n/a
One year later	154,401	73,616	109,271	103,062	-	n/a
Two years later	163,521	71,494	107,818	-	-	n/a
Three years later	165,846	72,853	-	-	-	n/a
Four years later	151,246	-	-	-	-	n/a
Current estimate of cumulative claims	151,246	72,853	107,818	103,062	50,472	485,451
Cumulative payments to date	(123,537)	(66,569)	(97,935)	(88,691)	-	(376,732)
Liability recognised in the statement of financial position	**27,709**	**6,284**	**9,883**	**14,371**	**50,472**	**108,719**

Notes to the financial statements
for the year ended 31 December 2012 (continued)

28 Insurance risks (continued)

Motor - Gross:

Accident year	**2008 & earlier AED'000**	**2009 AED'000**	**2010 AED'000**	**2011 AED'000**	**2012 AED'000**	**Total AED'000**
At the end of the accident year	54,336	43,444	48,224	19,353	43,960	n/a
One year later	128,127	78,916	37,908	47,886	-	n/a
Two years later	111,651	46,423	44,966	-	-	n/a
Three years later	101,726	39,755	-	-	-	n/a
Four years later	92,569	-	-	-	-	n/a
Current estimate of cumulative claims	92,569	39,755	44,966	47,886	43,960	269,136
Cumulative payments to date	(89,484)	(33,419)	(33,852)	(33,071)	-	(189,826)
Liability recognised in the statement of financial position	**3,085**	**6,336**	**11,114**	**14,815**	**43,960**	**79,310**

Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property insurance contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 750,000 for marine, AED 250,000 for motor and AED 1,250,000 for others in any one policy. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

28 Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of the reporting period.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The initial estimate of the loss ratios used for the current year before and after reinsurance are analysed below by type of risk where the insured operates for current and prior year premiums earned.

	Year ended 31 December 2012		Year ended 31 December 2011	
Type of risk	**Gross loss ratio**	**Net loss ratio**	Gross loss ratio	Net loss ratio
Motor	**51%**	**60%**	48%	46%
Non-Motor	**61%**	**87%**	66%	90%

28 Insurance risk (continued)

Process used to decide on assumptions

The risks associated with the insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe.

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

28 Insurance risk (continued)

Concentration of insurance risk

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarised below:

Type of risk	Year ended 31 December 2012 Gross AED'000	Year ended 31 December 2012 Net AED'000	Year ended 31 December 2011 Gross AED'000	Year ended 31 December 2011 Net AED'000
Motor				
UAE	2,089,425	1,361,966	985,851	963,059
GCC countries	34,624	-	109,233	107,283
	2,124,049	1,361,966	1,095,084	1,070,342
Non-Motor				
UAE	104,134,811	47,245,348	102,286,288	95,898,467
GCC countries	1,123,412	131,800	210,792	210,792
Others	1,032,786	52,276	1,046,288	291,205
	106,291,009	47,429,424	103,543,368	96,400,464
Grand Total	108,415,058	48,791,390	104,638,452	97,470,806

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Company amounts to AED 24.2 million for the year ended 31 December 2012 (2011: AED 22.6 million). The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 45% and the same is mainly contributed by one class of business i.e., Motor line wherein the retention level is 64%. However, in this class the liabilities are adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company has net commission earnings of around 32% (2011: 42%) of the net underwriting profit predominantly from the reinsurance placement which remains as a comfortable source of income.

Because of low risk retention in 10% volume of business and limited exposure in high retention areas like motor, the Company is comfortable to maintain a net loss ratio in the region of 55% - 60% and does not foresee any serious financial impact in the insurance net profit.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

29 Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, re-insurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

29.1 Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of UAE;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

The table below summarises the minimum regulatory capital of the Company and the total capital held.

	2012 AED'000	2011 AED'000
Total Shareholders' equity	**450,456**	417,034
Minimum regulatory capital	**100,000**	100,000

29.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

29 Financial instruments (continued)

29.3 Categories of financial instruments

	2012 AED'000	2011 AED'000
Financial assets		
Investments at amortised cost	**8,670**	-
Investments designated at FVTOCI	**241,507**	234,782
Investments carried at FVTPL	**37,990**	-
Insurance and other receivables	**80,141**	92,020
Statutory deposit	**6,000**	4,500
Term deposits	**44,518**	43,573
Bank and cash	**54,191**	61,299
Total	**473,017**	436,174
Financial liabilities		
Insurance and other payables	**84,430**	75,418
Bank borrowings	**55,673**	77,536
Total	**140,103**	152,954

29.4 Market price risk management

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments in quoted securities held by it directly or through investment managers. The Company limits market risk by actively monitoring the key factors that affect stock and the market movements, including analysis of the operational and financial performance of the investees.

Equity price risk sensitivity analysis

At the end of the reporting period, if the equity prices are 5% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Company's:

- The Company's profit would increase/(decrease) by AED 207 thousand (2011: AED nil) as a result of the Company's portfolio classified under fair value through profit and loss (FVTPL)
- The Company's equity reserves would increase/(decrease) by AED 12.1 million (2011: increase/(decrease) by AED 10.9 million) as a result of the Company's portfolio classified under fair value through other comprehensive income (FVTOCI)

29.5 Foreign currency risk management

Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations and consequently, the Company does not hedge foreign currency exposure.

29 Financial instruments (continued)

29.6 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Key areas where the Company is exposed to credit risk are:

- re-insurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from banks for its bank balances and term deposits.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Re-insurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Company remains liable for the payment to the policy holder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policy holders and groups of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous groups of policy holders, a financial analysis equivalent to that conducted for re-insurers is carried out by the Company. Details on concentration of amounts due from policy holders is disclosed in Note 11.

Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policy holders.

At 31 December 2012 and 2011, virtually all of the deposits were placed with 5 banks. Management is confident that this concentration of liquid assets at year end does not result in any credit risk to the Company as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk for such receivables and liquid funds.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

29 Financial instruments (continued)

29.7 Liquidity risk management

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. Bank facilities, the policy holders and the re-insurers, are the major sources of funding for the Company and the liquidity risk for the Company is assessed to be low. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities with maturities determined on the basis of the remaining period from the end of the reporting period to the contractual maturity/repayment date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

	On demand AED'000	Up to 1 year AED'000	More than 1 year AED'000	Total AED'000
31 December 2012				
Bank overdraft	**55,673**	-	-	**55,673**
Trade and other payables	-	**84,430**	-	**84,430**
Total	**55,673**	**84,430**	-	**140,103**
31 December 2011				
Bank overdraft	63,536	-	-	63,536
Trade and other payables	-	75,418	-	75,418
Term loan	-	10,000	4,000	14,000
Total	63,536	85,418	4,000	152,954

29.8 Interest risk management

The Company's exposure to interest rate risk relates to its term deposits, bank loans and bank overdrafts.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing financial assets and liabilities assuming the amount of assets and liabilities at the end of the reporting period were outstanding for the whole year.

If interest rates had been 100 basis points higher\lower and all other variables were held constant, the Company's profit for the year ended 31 December 2012 would increase\decrease by AED 111,550 (2011: AED 339,630).

Notes to the financial statements
for the year ended 31 December 2012 (continued)

29 Financial instruments (continued)

29.9 Fair value of financial instruments

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

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

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2012				
Financial assets designated at FVTOCI - Equities	**221,993**	**19,514**	**-**	**241,507**
Financial assets designated at FVTPL - Equities	**37,990**	**-**	**-**	**37,990**
	259,983	**19,514**	**-**	**279,497**
31 December 2011				
Financial assets designated at FVTOCI - Equities	217,868	16,914	-	234,782

There were no transfers between Level 1 and 2 during the year.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

30 Segment information

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units are managed separately because they require different approach, technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis.

The following summary describes the two main business segments:

- Underwriting of general insurance business – incorporating all classes of general insurance such as marine, aviation, fire, general accident and miscellaneous.
- Investments – incorporating investments in marketable equity securities, term deposits with banks and investment properties and other securities.

Information regarding the Company's reportable segments is presented below.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

30 Segment information (continued)

30.1 Segment revenue and results

	2012				2011			
	Underwriting		Investments		Underwriting		Investments	
	Marine and aviation AED'000	Fire and general accident AED'000	AED'000	Total AED'000	Marine and aviation AED'000	Fire and general accident AED'000	AED'000	Total AED'000
Gross premiums written	29,010	355,243	-	384,253	29,624	295,710	-	325,334
Reinsurance premium ceded	(27,540)	(141,840)	-	(169,380)	(28,099)	(115,106)	-	(143,205)
Movement in provision for unearned premiums	14	(13,120)	-	(13,106)	51	(8,332)	-	(8,281)
Net claims incurred	(312)	(148,781)	-	(149,093)	(668)	(128,583)	-	(129,251)
Net commission earned	2,823	5,043	-	7,866	3,566	6,010	-	9,576
Rental income	-	-	12,252	12,252	-	-	12,128	12,128
Investment loss, net	-	-	(3,176)	(3,176)	-	-	(10,990)	(10,990)
Allocated expenses	(2,260)	(34,088)	-	(36,348)	(1,535)	(30,036)	-	(31,571)
Segment profit	1,735	22,457	9,076	33,268	2,939	19,663	1,138	23,740
Unallocated expenses				(3,053)				(7,931)
Profit for the year				30,215				15,809

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues during the year ended 31 December 2012 and 2011.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3.

Notes to the financial statements
for the year ended 31 December 2012 (continued)

30 Segment information (continued)

30.2 Segment assets and liabilities

	2012			2011		
	Underwriting AED'000	**Investments AED'000**	**Total AED'000**	Underwriting AED'000	Investments AED'000	Total AED'000
Segment assets	**293,239**	**633,631**	**926,870**	286,671	592,664	879,335
Unallocated assets			**12,384**			11,255
Total assets			**939,254**			890,590
Segment liabilities	**402,498**	**62,768**	**465,266**	368,475	70,203	438,678
Unallocated liabilities			**23,532**			34,878
Total liabilities			**488,798**			473,556
Capital expenditure	**1,263**	**-**	**1,263**	1,025	-	1,025

Notes to the financial statements
for the year ended 31 December 2012 (continued)

30 Segment information (continued)

30.3 Segment revenue from underwriting departments

The following is an analysis of the Company's revenues classified by major underwriting departments.

	2012 AED'000	2011 AED'000
Motor	**126,098**	85,426
Engineering	**34,765**	32,466
Fire and General Accidents	**43,147**	34,600
Marine and Aviation	**32,382**	33,715
Life, Medical and Personal Assurance	**179,079**	169,871
	415,471	356,078

30.4 Geographical segment

The Company's underwriting business is based entirely within UAE, except for treaty re-insurance arrangements which are held with companies based primarily in Europe. All the investments of the Company are held in the UAE.

Total revenues and total assets of the underwriting and investment segments by geographical location are detailed below:

	Revenue		Total assets	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
UAE	**393,406**	334,265	**895,364**	850,814
Europe	**22,065**	21,813	**43,890**	39,776
	415,471	356,078	**939,254**	890,590

31 Contingent liabilities

At 31 December 2012, the Company had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 10.7 million (2011: AED 10.4 million).

Notes to the financial statements
for the year ended 31 December 2012 (continued)

32 Comparative information

During the year ended 31 December 2012, the Company changed the method of allocating general and administrative expenses to underwriting activities whereby expenses directly related to underwriting are now allocated to underwriting expenses with the remaining balance allocated 90% to "Underwriting" and 10% to "Other expenses". Previously, the Company used to allocate the expenses on a 50% - 50% basis. As a result, the comparative figures were reclassified to match current year presentation, as follows:

	As previously reported AED'000	Reclassified AED'000	As reclassified AED'000
2011			
Statement of income			
General and administrative expenses allocated to:			
Underwriting	16,853	14,718	31,571
Other expenses	22,649	(14,718)	7,931
	39,502	-	39,502

33 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting on 5 February 2013.