OMAN INSURANCE COMPANY P.S.C.
AND SUBSIDIARIES

Review report and interim financial information for the six months period ended 30 June 2013

OMAN INSUARNCE COMPANY P.S.C. AND SUBSIDIARIES

Contents **Pages**

Deloitte.

Deloitte & Touche (M.E.)
701 Corniche Plaza 2
P.O. Box 5470
Sharjah, United Arab Emirates

Tel: +971 (0) 6 574 1052
Fax: +971 (0) 6 574 1053
www.deloitte.com

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Oman Insurance Company P.S.C.
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Oman Insurance Company P.S.C. (the "Company") and its Subsidiaries (together referred to as the "Group") as at 30 June 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, "*Interim Financial Reporting.*" Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
6 August 2013

Condensed consolidated statement of financial position
At 30 June 2013

	Notes	30 June 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000 (Restated)
ASSETS			
Property and equipment		30,198	23,153
Investment properties		423,925	361,244
Goodwill		26,588	26,588
Financial investments	5	1,354,473	1,189,952
Statutory deposits		23,538	23,538
Reinsurance contract assets	6	1,253,506	1,047,319
Insurance receivables		1,142,806	950,073
Prepayments and other receivables		126,172	91,841
Bank balances and cash		701,045	879,701
Total assets		5,082,251	4,593,409
EQUITY AND LIABILITIES			
Equity			
Share capital	7	461,872	461,872
Reserves	8	1,300,714	1,300,714
Cumulative changes in fair value of securities		(376,315)	(349,235)
Foreign currency translation reserve		(1,533)	28
Retained earnings		211,862	126,007
Equity attributable to Owners of the Company		1,596,600	1,539,386
Non-controlling interests		689	3,206
Total equity		1,597,289	1,542,592
Liabilities			
End of service benefits		33,413	34,180
Bank borrowings	9	113,923	128,520
Insurance contract liabilities	6	2,682,867	2,322,504
Reinsurance deposits retained		99,929	126,650
Insurance payables		475,552	361,082
Other payables		79,278	77,881
Total liabilities		3,484,962	3,050,817
Total equity and liabilities		5,082,251	4,593,409

Abdul Aziz Abdulla Al Ghurair
Chairman

Patrick Choffel
Chief Executive Officer

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

Condensed consolidated income statement (unaudited)
for the six months period ended 30 June 2013

	Three months period ended 30 June		Six months period ended 30 June	
	2013	2012	**2013**	2012
	AED '000	AED '000 (Restated)	**AED '000**	AED '000 (Restated)
Gross insurance premium	**691,199**	478,720	**1,586,308**	1,383,827
Less: Insurance premium ceded to reinsurers	**(363,376)**	(256,884)	**(814,432)**	(740,003)
Net retained premium	**327,823**	221,836	**771,876**	643,824
Net change in unearned premium	**11,290**	55,568	**(128,661)**	(48,778)
Net insurance premium	**339,113**	277,404	**643,215**	595,046
Gross claims settled	**(487,895)**	(296,380)	**(848,117)**	(618,796)
Insurance claims recovered from reinsurers	**264,784**	146,045	**422,139**	304,779
Net claims settled	**(223,111)**	(150,335)	**(425,978)**	(314,017)
Net change in outstanding claims and additional reserves	**(7,417)**	(2,900)	**19,191**	(10,558)
Net claims incurred	**(230,528)**	(153,235)	**(406,787)**	(324,575)
Excess of loss reinsurance premium	**(14,483)**	(16,610)	**(21,865)**	(25,936)
Policies surrendered and maturities paid	**(7,312)**	(6,882)	**(13,212)**	(12,911)
Reinsurance commission income	**54,726**	35,491	**95,503**	105,483
Commission expenses	**(69,821)**	(51,934)	**(124,269)**	(103,859)
Insurance business fees	**(1,740)**	(1,701)	**(4,134)**	(5,215)
General and administrative expenses relating to underwriting activities	**(105,307)**	(58,138)	**(177,700)**	(119,449)
Other income relating to underwriting activities	**10,488**	7,608	**18,465**	16,923
	(133,449)	(92,166)	**(227,212)**	(144,964)
Underwriting profit/(loss) before movements in life assurance fund	**(24,864)**	32,003	**9,216**	125,507
Increase in life assurance fund	**(1,963)**	(1,406)	**(5,419)**	(24,548)
Net underwriting profit/(loss)	**(26,827)**	30,597	**3,797**	100,959
Net investment income	**76,891**	13,191	**100,153**	35,827
Finance costs	**(1,301)**	(4,913)	**(7,997)**	(10,644)
Profit before tax	**48,763**	38,875	**95,953**	126,142

Condensed consolidated income statement (unaudited)
for the six months period ended 30 June 2013 (continued)

	Three months period ended 30 June		Six months period ended 30 June	
	2013	2012	**2013**	2012
	AED '000	AED '000 (Restated)	**AED '000**	AED '000 (Restated)
Profit before tax	**48,763**	38,875	**95,953**	126,142
Income tax expenses	-	-	**(1,608)**	-
Profit for the period	**48,763**	38,875	**94,345**	126,142
Attributable to:				
Owners of the Company	**49,504**	38,875	**99,619**	126,142
Non-controlling interests	**(741)**	-	**(5,274)**	-
	48,763	38,875	**94,345**	126,142
Basic earnings per share (AED) (Note 10)	**0.11**	0.08	**0.22**	0.27

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

Condensed consolidated statement of comprehensive income (unaudited)
for the six months period ended 30 June 2013

	Three months period ended 30 June		Six months period ended 30 June	
	2013	2012	**2013**	2012
	AED '000	AED '000 (Restated)	**AED '000**	AED '000 (Restated)
Profit for the period	**48,763**	38,875	**94,345**	126,142
Other comprehensive loss:				
Items that will not be reclassified subsequently to profit or loss:				
Net fair value losses on revaluation of investments designated at FVTOCI	**(5,031)**	(55,121)	**(18,905)**	(84,961)
Gain/(loss) on sale of investments designated at FVTOCI	**1,312**	(5,871)	**1,155**	(4,449)
	(3,719)	(60,992)	**(17,750)**	(89,410)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	**(1,649)**	-	**(3,168)**	-
Total other comprehensive loss for the period	**(5,368)**	(60,992)	**(20,918)**	(89,410)
Total comprehensive income /(loss) for the period	**43,395**	(22,117)	**73,427**	36,732
Attributable to:				
Owners of the Company	**44,999**	(22,117)	**80,308**	36,732
Non-controlling interests	**(1,604)**	-	**(6,881)**	-
	43,395	(22,117)	**73,427**	36,732

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

OMAN INSURANCE COMPANY P.S.C. AND SUBSIDIARIES

Condensed consolidated statement of changes in equity
for the six months period ended 30 June 2013

	Share capital AED '000	Reserves AED '000	Cumulative changes in fair value of securities AED '000	Foreign currency translation reserve AED '000	Retained earnings AED '000	Equity attributable to Owners of the Company AED '000	Non-controlling interests AED '000	Total AED '000
Balance at 1 January 2012 (audited)	419,884	1,228,624	(548,765)	-	374,157	1,473,900	-	1,473,900
Effect of change in accounting policy (Note 18.1)	-	-	-	-	(86,298)	(86,298)	-	(86,298)
Balance at 1 January 2012 (restated)	419,884	1,228,624	(548,765)	-	287,859	1,387,602	-	1,387,602
Profit for the period	-	-	-	-	126,142	126,142	-	126,142
Other comprehensive loss for the period	-	-	(84,961)	-	(4,449)	(89,410)	-	(89,410)
Total comprehensive income for the period	-	-	(84,961)	-	121,693	36,732	-	36,732
Issue of bonus shares (Note 19)	41,988	-	-	-	(41,988)	-	-	-
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	73,210	-	(73,210)	-	-	-
Balance at 30 June 2012 (unaudited)	461,872	1,228,624	(560,516)	-	294,354	1,424,334	-	1,424,334
Balance at 1 January 2013 (restated)	461,872	1,300,714	(349,235)	28	126,007	1,539,386	3,206	1,542,592
Profit for the period	-	-	-	-	99,619	99,619	(5,274)	94,345
Other comprehensive loss for the period	-	-	(18,905)	(1,561)	1,155	(19,311)	(1,607)	(20,918)
Total comprehensive income for the period	-	-	(18,905)	(1,561)	100,774	80,308	(6,881)	73,427
Cash dividend (Note 19)	-	-	-	-	(23,094)	(23,094)	-	(23,094)
Additional contribution	-	-	-	-	-	-	4,364	4,364
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	(8,175)	-	8,175	-	-	-
Balance at 30 June 2013 (unaudited)	**461,872**	**1,300,714**	**(376,315)**	**(1,533)**	**211,862**	**1,596,600**	**689**	**1,597,289**

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

Condensed consolidated statement of cash flows (unaudited)
for the six months period ended 30 June 2013

	Six months period ended 30 June 2013 AED'000	2012 AED'000 (Restated)
Cash flows from operating activities		
Profit for the period	**94,345**	126,142
Adjustments for:		
Depreciation of property and equipment	**6,412**	5,490
Unrealised loss/(gain) on financial investments at FVTPL	**16,619**	(7,328)
Fair value (gain)/loss on investment properties	**(62,681)**	30,000
Provision for end of service benefits	**3,443**	4,911
Allowance for doubtful debts	**29,458**	-
Dividends income from financial investments at FVTPL and FVTOCI	**(19,256)**	(39,925)
Interest income from deposits and financial investments at FVTPL and amortised cost	**(12,245)**	(14,072)
Realised gain on sale of financial investments at FVTPL	**(115)**	(3,371)
Finance costs	**7,997**	10,644
Operating cash flows before changes in operating assets and liabilities	**63,977**	112,491
Increase in reinsurance contract assets	**(206,187)**	(205,550)
Increase in insurance and other receivables	**(250,121)**	(81,468)
Increase in insurance contract liabilities	**360,363**	331,159
Increase in insurance and other payables	**115,872**	87,904
Decrease in reinsurance deposits retained	**(26,721)**	(18,791)
Net cash generated from operations	**57,183**	225,745
End of service benefits paid	**(4,210)**	(4,232)
Finance costs paid	**(8,002)**	(12,687)
Net cash generated from operating activities	**44,971**	208,826
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	**(165,599)**	(5,763)
Proceeds from sale of financial investments at FVTOCI	**162,557**	139,548
Purchases of financial investments at FVTPL	**(413,759)**	(293,212)
Proceeds from sale of financial investments at FVTPL	**430,123**	113,052
Purchases of financial investments at amortised cost	**(215,189)**	-
Dividends income from financial investments at FVTPL and FVTOCI	**19,256**	39,925
Interest income from deposits and financial investments at FVTPL	**8,936**	11,191
Purchase of property and equipment	**(13,457)**	(1,532)
(Increase)/decrease in term deposits maturing after 3 months	**(24,591)**	91,911
Net cash (used in)/generated from investing activities	**(211,723)**	95,120

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

Condensed consolidated statement of cash flows (unaudited) for the six months period ended 30 June 2013 (continued)

	Six months period ended 30 June 2013 AED'000	2012 AED'000 (Restated)
Cash flows from financing activities		
Dividend paid	**(23,094)**	-
Additional contribution by non-controlling interest	**4,364**	-
Net decrease in bank borrowings	**(55,080)**	(150,000)
Cash used in financing activities	**(73,810)**	(150,000)
Net (decrease)/increase in cash and cash equivalents	**(240,562)**	153,946
Effects of exchange rate changes on the balances of cash held in foreign currency	**(3,168)**	-
Cash and cash equivalents at the beginning of the period	**406,389**	47,130
Cash and cash equivalents at the end of the period (Note 11)	**162,659**	201,076

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

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013

1. General information

Oman Insurance Company P.S.C., (the "Company") which was established by an Amiri Decree issued by His Highness, The Ruler of Dubai, is a public shareholding company and is registered under Federal Law No. 8 of 1984 (as amended) relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of Its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E. under registration number 9. The Company is a subsidiary of Mashreq Bank (PSC) incorporated in the Emirate of Dubai. Its registered head office is at P.O. Box 5209, Dubai, United Arab Emirates. The Group comprises of Oman Insurance Company P.S.C. and its Subsidiaries (Note 3.3). The Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The licensed activities of the Group are issuing short term and long term insurance contracts and trading in financial investments. The insurance contracts are issued in connection with property, motor, aviation and marine risks (collectively known as general insurance) and individual life (participating and non-participating), group life, personal accident, medical and investment linked products.

The Group also operates in Oman and Qatar through other arrangements.

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

2.1 Amendments to IFRSs effecting amounts reported in the condensed consolidated financial statements

The following amendment to IFRSs has been adopted in these condensed consolidated financial statements and has affected presentation and disclosures in these condensed consolidated financial statements.

- Amendments to IAS 1 *Presentation of items of other comprehensive income*

The Group has adopted the amendments to IAS 1 presentation of items of other comprehensive income effective from annual periods beginning on or after 1 July 2012. The amendment to IAS 1 retains the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendment to IAS 1 requires items of other comprehensive income to be grouped into two categories in other comprehensive income section:

a. Items that will not be subsequently reclassified to profit or loss and

b. Items that may be reclassified to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendment does not change the option to present items either before tax or net of tax.

- IFRS 13 *Fair Value Measurement*

IFRS 13 issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items. Application of IFRS 13 from 1 January 2013 resulted in additional disclosures of fair value measurements in these condensed consolidated financial statements.

Other than the above mentioned presentation and disclosure changes, the application of the amendments to IAS 1 and IFRS 13 do not have any impact on profit or loss, other comprehensive income and total comprehensive income.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

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

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

The Group has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The amendments establish an exception to IFRS 10's general consolidation principle for investment entities, requiring them to "measure particular subsidiaries at fair value through profit or loss, rather than consolidate them." In addition, the amendments outline required disclosures for reporting entities that meet the definition of an investment entity.	1 January 2014
• Amendments to IAS 36 – *recoverable amount disclosures* The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.	1 January 2014
• IFRIC 21 – *Levies* Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.	1 January 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2014 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, "Interim Financial Reporting" and also comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group's transactions are denominated and all values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

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

The Group presents its condensed consolidated statement of financial position broadly in order of liquidity.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2012. In addition, results for the six months period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

3.2 Significant accounting policies

The accounting policies, presentation and methods in these condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 31 December 2012 except for the change in accounting policy described in Note 3.2.1 and change in accounting estimate described in Note 4.1.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investment properties, property and equipment and financial assets have been disclosed in these condensed consolidated financial statements (Notes 3.4 to 3.6).

3.2.1 Change in accounting policy

On 1 April 2013, the Group has voluntarily changed their accounting policy for recognising revenue from insurance contracts relating to general insurance business. Prior to the change in the accounting policy, the Group had recognised revenue (earned premium) from insurance contracts in accordance with the regulation relating to the insurance companies, deferring 40% of annual written premium as unearned premium except marine class of business of which the amount to be deferred was calculated at 25% of the annual written premium. The change in accounting policy in the current period has resulted in recognising earned premium on time-proportion basis wherein the revenue from an insurance contract is recognised over the effective period of the policy.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

3. Summary of significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.1 Change in accounting policy (continued)

Management takes the view that the change in accounting policy provides more relevant and reliable information of the Group financial performance and financial position to the economic decisions making of the users of the consolidated financial statements because it recognizes revenue more accurately over the effective period of insurance contract coverage. The change in accounting policy has been retrospectively applied by the Group. The effects of change in accounting policy are described in note 18 to these condensed consolidated financial statements.

3.2.2 Revised accounting policies

The principal accounting policies that have been changed due to the change in accounting policy described above and change in accounting estimate described in note 4.1. are set out below.

3.2.2.1 General insurance contracts

Premiums are recognised as revenue (earned premium) on time-proportion basis over the effective period of policy 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. Premiums are shown in the income statement before deduction of commission.

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

3.2.2.2 Insurance contract liabilities

3.2.2.2.1 Unearned premium reserve

At the end of the reporting period, proportions of net retained premium of the general insurance and medical insurance are provided to cover portions of risks which have not expired. The reserves are calculated on time-proportion basis whilst maintaining the minimum reserve requirements required by the regulations relating to insurance companies. Unearned premium for group life and individual life classes of business is estimated by the Group's actuary in the calculation of the insurance contracts liabilities for life assurance business.

3.2.2.2.2 Additional reserve

The additional reserve comprises of the provisions made for;

- the estimated excess of potential claims over unearned premiums (premium deficiency),
- the claims incurred but not reported at the end of the reporting period (IBNR),
- and the potential shortfall in the estimated amounts of the unpaid reported claims.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

3. Summary of significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.2 Revised accounting policies (continued)

3.2.2.2.2 Additional reserve (continued)

The reserve represents management's best estimates of the potential liabilities at the end of the reporting period. The liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group 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 by the Group's actuary and changes are made to the provision.

During the year, the Group has changed the basis of estimation of the additional reserve of which the details are given in note 4.1 to these condensed consolidated financial statements.

3.2.2.2.3 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group 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 and provision is reserved in the additional reserve.

3.3 Basis of consolidation

The condensed consolidated financial statements of Oman Insurance P.S.C. and Subsidiaries (the "Group") incorporate the condensed financial statements of the Company and the entity controlled by the Company (its Subsidiaries). Control is achieved where the Company has: (a) power over an investee, (b) exposure or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. All intra-group transactions, balances, income and expenses and profits and losses resulting from the intra-company transactions that are recognised in assets, are eliminated in full on consolidation.

Income and expenses of subsidiaries acquired or disposed off during the period are included in the condensed consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the condensed financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Details of the Company's subsidiaries at 30 June 2013 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of legal ownership interest	Proportion of voting power held	Principal activity
Equator Trading Enterprises L.L.C.*	Dubai - U.A.E.	99.97%	100%	Trading in quoted securities.
Dubai Group Sigorta A.S.	Istanbul – Turkey	51%	51%	Issuing short-term and long-term insurance contracts

* The Company holds the remaining equity in Equator Trading Enterprises L.L.C. beneficially through nominee arrangements.

3.4 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultant or broker's quotes.

3. Summary of significant accounting policies (continued)

3.5 Property and equipment

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any 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.

3.6 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3.6.1 Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

3.6.2 Financial assets at amortised cost and the effective interest method

Debt instruments are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.2 Financial assets at amortised cost and the effective interest method (continued)

- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see 3.6.8 below), with interest income recognised on an effective yield basis in investment income.

Subsequent to initial recognition, the Group is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

3.6.3 Cash and cash equivalents

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

3.6.4 Insurance receivables, other receivables and statutory deposits

Insurance receivables, other receivables and statutory deposits are measured 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. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.5 Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group 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 Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

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 cumulative changes in fair value of securities reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI.

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

3.6.6 Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition (see above).

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL.

A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2013 (continued)

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.6 Financial assets at fair value through profit or loss (FVTPL) (continued)

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss.

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

3.6.7 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and

- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in profit or loss.

3.6.8 Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for 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 assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.8 Impairment of financial assets (continued)

For certain categories of financial asset, such as insurance 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 Group'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 national or 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 amount of collateral and guarantee, 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 insurance receivables, where the carrying amount is reduced through the use of an allowance account. When an insurance 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.6.9 Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

3. Summary of significant accounting policies (continued)

3.7 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

4. Critical accounting judgements and key sources of estimation of uncertainty

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012 except for the change in accounting estimate described below;

4.1 Change in accounting estimate

Management has changed the basis adopted for calculating the additional reserve with effect from 1 January 2013. This reserve is for the estimated excess of potential claims over unearned premiums as well as for the claims incurred but not reported at the end of the reporting period. Management had previously used the 1/8th method to assess the reserve requirements in prior years. The revised calculation is based on an actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data.

The change in accounting estimate has been prospectively adopted in these condensed consolidated financial statements. Had the change not been adopted in the current period, the additional reserve would have increased by AED 17,159 thousand as at 30 June 2013 and consequently, the profit for the period then ended would have decreased by the same amount.

The disclosures of the effects of the change in accounting estimate for future periods have not been made in these condensed consolidated financial statements as it is impracticable to estimate those effects. The estimation is done at the end of the each reporting period based on the historical data of claims reported and settlement patterns and these data could be changed from one period to another. Hence, estimation of the impact for the future period with certainty is impracticable.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

5. Financial investments

The Group's financial investments at the end of reporting period are detailed below.

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
At fair value through profit or loss	**325,491**	710,750
At fair value through other comprehensive income	**418,997**	433,705
Measured at amortised cost	**609,985**	45,497
	1,354,473	1,189,952

FVTPL financial investments with a fair value of AED 36,577 thousand at 30 June 2013 (31 December 2012: AED 155,020 thousand) and financial investments measured at amortised cost with the carrying value of AED 88,288 thousand (31 December 2012: AED Nil) are under lien in respect of guarantees and credit facilities.

Financial investments measured at amortised cost include quoted bonds. These bonds carry interests at coupon rates of 3% to 9% per annum. The Group holds these investments with the objective of receiving the contractual cash flows over the instruments life. The fair value of these bonds at 30 June 2013 is AED 581,533 thousand (31 December 2012: AED 47,315 thousand).

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

5. Financial investments (continued)

The movements in investments are as follows:

	Fair value through profit or loss AED'000	Fair value through OCI AED'000	Amortised cost AED'000	Total AED'000
At 1 January 2012 (audited)	392,112	1,060,908	-	1,453,020
Purchases	479,370	11,323	45,497	536,190
Disposals	(205,720)	(574,167)	-	(779,887)
Changes in fair value	44,988	(64,359)	-	(19,371)
At 31 December 2012 (audited)	710,750	433,705	45,497	1,189,952
Purchases	413,759	165,599	215,189	794,547
Disposals	(430,008)	(161,402)	-	(591,410)
Reclassification	(352,391)	-	352,391	-
Changes in fair value	(16,619)	(18,905)		(35,524)
Amortisation	-	-	(2,004)	(2,004)
Foreign currency exchange differences	-	-	(1,088)	(1,088)
At 30 June 2013 (unaudited)	**325,491**	**418,997**	**609,985**	**1,354,473**

Reclassification of financial investments measured at FVTPL

On 28 March 2013, management revisited the Group's business model for managing the financial investments and changed its business model for managing investments in debt instruments. Accordingly, the Group reclassified AED 352,391 thousand from FVTPL to amortised cost from 1 April 2013. The business model has been changed from realizing the fair value by disposing of the investment to hold the asset until its maturity so as to collect the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

These bonds carry effective interests at the rates of 2% to 9% per annum at the date of reclassification. The interest income recognized on these investments from the date of reclassification to 30 June 2013 is AED 7,100 thousand.

The fair value loss recognised in profit or loss during the reporting period would have been increased by AED 16,917 thousand if these financial assets had not been reclassified.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

6. Insurance contract liabilities and re-insurance contract assets

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000 (Restated)
Insurance contract liabilities		
Outstanding claims	**1,054,561**	1,102,815
Additional reserve	**126,778**	129,054
Life assurance fund	**177,652**	172,233
Unearned premium	**1,108,956**	742,769
Unit linked liabilities	**214,920**	175,633
	2,682,867	2,322,504
Recoverable from reinsurers		
Outstanding claims	**695,521**	726,860
Unearned premium	**557,985**	320,459
	1,253,506	1,047,319
Insurance contract liabilities – net		
Outstanding claims	**359,040**	375,955
Additional reserve	**126,778**	129,054
Life assurance fund	**177,652**	172,233
Unearned premium	**550,971**	422,310
Unit linked liabilities	**214,920**	175,633
	1,429,361	1,275,185

7. Share capital

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Authorized, issued and fully paid 461,872,125 shares of AED 1 each	**461,872**	461,872

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

8. Reserves

	Statutory reserve AED '000	Strategic reserve AED '000	General reserve AED '000	Contingency reserve AED '000	Total AED '000
Balance at 1 January 2012 (audited)	196,348	303,750	725,210	3,316	1,228,624
Transfer from retained earnings	20,357	-	50,893	840	72,090
Balance at 31 December 2012 (audited)	216,705	303,750	776,103	4,156	1,300,714
Balance at 30 June 2013 (unaudited)	**216,705**	**303,750**	**776,103**	**4,156**	**1,300,714**

9. Bank borrowings

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Long term loans	**73,440**	128,520
Bank overdrafts	**40,483**	-
	113,923	128,520

Long term loans include:

(a) An amount of AED 45,900 thousand (31 December 2012: AED 45,900 thousand) which carries interest at 1 month LIBOR + 2.25% and is available till the date of the disposal of collateralized investments.

(b) An amount of AED 27,540 thousand (31 December 2012: AED 27,540 thousand) which carries interest at 3 month LIBOR + 2.25% and is available till the date of the disposal of collateralized investments.

Long term loans as of 31 December 2012, also included AED 55,080 thousand which carried interest at 3 month USD LIBOR +2% and was repayable at the discretion of the Company and was available till the date of the disposal of collateralized investments managed by the lender. The Group has fully settled this loan during the period ended 30 June 2013.

Bank overdraft carries interest at base lending rate + 1% margin and is repayable or renewable on yearly basis.

The bank borrowings are secured by the collateralised financial investments and assignment of certain bank deposits in favor of the banks.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

10. Basic earnings per share

	Three months period ended 30 June		Six months period ended 30 June	
	2013 (unaudited)	2012 (unaudited) (Restated)	**2013 (unaudited)**	2012 (unaudited) (Restated)
Profit for the period (AED '000)	**49,504**	38,875	**99,619**	126,142
Weighted average number of shares	**461,872,125**	461,872,125	**461,872,125**	461,872,125
Basic earnings per share (AED)	**0.11**	0.08	**0.22**	0.27

Basic earnings per share are calculated by dividing the profit for the period attributable to the Owners of the Company by the number of weighted average of shares outstanding at the end of the reporting period.

11. Cash and cash equivalents

	Six months period ended 30 June	
	2013 (unaudited) AED '000	2012 (unaudited) AED '000
Deposits with banks maturing within 3 months	**39,553**	3,623
Bank balances and cash in hand	**163,589**	198,143
	203,142	201,766
Less: Bank overdrafts	**(40,483)**	(690)
	162,659	201,076

12. Related party transactions

Related parties include the Group's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

12. Related party transactions (continued)

12.1 At the end of the reporting period, amounts due from/to related parties are included in the following accounts:

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Cash and bank balances	**261,059**	403,624
Statutory deposits held by a related party	**10,000**	10,000
Net insurance receivable	**29,869**	37,293
Net insurance payable	**3,199**	8,011
Bank overdraft	**40,483**	-

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

	Three months period ended 30 June		**Six months period ended 30 June**	
	2013 (unaudited) AED '000	2012 (unaudited) AED '000	**2013 (unaudited) AED '000**	2012 (unaudited) AED '000
Premium	**71,808**	54,160	**114,480**	118,000
Claims	**19,432**	20,082	**35,636**	41,823
Finance costs	**100**	2,844	**136**	5,632
Commission paid	**1,500**	-	**1,500**	-

Premiums are charged to related parties at rates agreed with management.

12.3 *Compensation of key management personnel*

	Three months period ended 30 June		**Six months period ended 30 June**	
	2013 (unaudited) AED '000	2012 (unaudited) AED '000	**2013 (unaudited) AED '000**	2012 (unaudited) AED '000
Directors fees	**2,250**	-	**2,250**	2,250
Salaries and benefits	**1,735**	487	**2,234**	937
End of service benefits	**33**	45	**55**	45

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

13. Contingent liabilities

At 30 June 2013, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 54,378 thousand (31 December 2012: AED 48,719 thousand).

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of their business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's consolidated financial performance or consolidated financial position.

14. Commitments

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
14.1 Capital/purchase commitments		
Commitments in respect of uncalled subscription of certain shares held as investments	**7,375**	12,154

14.2 Operating lease commitments

At the end of the reporting period, minimum lease commitments under non-cancellable operating lease agreements are as follows:

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Within one year	**3,447**	7,902
Second to fifth year	**5,195**	6,468

Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2013 (continued)

15. Locations of assets

As required by Securities and Commodities Authority notification dated 12 October 2008, the locations of assets are disclosed below:

	30 June 2013 (unaudited)			31 December 2012 (audited)		
	In U.A.E.	**In other countries**	**Total**	In U.A.E.	In other countries	Total
	AED '000	**AED '000**	**AED '000**	AED '000	AED '000	AED '000
Property and equipment	**26,848**	**3,350**	**30,198**	20,301	2,852	23,153
Investment properties	**423,925**	**-**	**423,925**	361,244	-	361,244
Financial investments designated at fair value through other comprehensive income (FVTOCI)	**274,440**	**144,557**	**418,997**	371,960	61,745	433,705
Financial investments at FVTPL	**2,325**	**323,166**	**325,491**	157,504	553,246	710,750
Financial investments measured at amortised cost	**311,593**	**298,392**	**609,985**	-	45,497	45,497
Bank balances and cash	**448,475**	**252,570**	**701,045**	658,470	221,231	879,701
	1,487,606	**1,022,035**	**2,509,641**	1,569,479	884,571	2,424,050

16. Segment information

For management purposes, the Group is organized into three business segments of general insurance, life assurance and investment. The general insurance segment comprises motor, marine, fire, engineering and general accident. The life assurance segment includes life, medical, group life and personal accident. Investment comprises investments and cash management for the Group's own accounts. These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on arm's length basis. Segmental information is presented below:

	Six months period ended 30 June (unaudited)					
	General insurance		**Life assurance and medical**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	AED '000	AED '000 (Restated)	**AED '000**	AED '000	**AED '000**	AED '000 (Restated)
Gross insurance premium	**750,087**	673,461	**836,221**	710,366	**1,586,308**	1,383,827
Net underwriting profit/(loss)	**(8,226)**	56,819	**12,023**	44,140	**3,797**	100,959
Net investment income					**100,153**	35,827
Finance costs					**(7,997)**	(10,644)
Profit before tax					**95,953**	126,142
Income tax expenses					**(1,608)**	-
Profit for the period					**94,345**	126,142
Attributable to:						
Owners of the Company					**99,619**	126,142
Non-controlling interests					**(5,274)**	-
Profit for the period					**94,345**	126,142

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

16. Segment information (continued)

	30 June 2013 (unaudited)			
	General insurance AED '000	Life assurance and medical AED '000	Investment AED '000	Total AED '000
Segment assets	**1,306,090**	**1,460,307**	**2,315,854**	**5,082,251**
Segment liabilities	**2,098,304**	**1,313,218**	**73,440**	**3,484,962**
Capital expenditure	**6,363**	**7,094**	**-**	**13,457**
Depreciation	**3,032**	**3,380**	**-**	**6,412**

	31 December 2012 (audited)			
	General insurance AED '000	Life assurance and medical AED '000	Investment AED '000	Total AED '000
Segment assets (Restated)	1,424,070	954,392	2,214,947	4,593,409
Segment liabilities (Restated)	1,970,148	952,149	128,520	3,050,817
Capital expenditure	6,452	40	108	6,600
Depreciation	11,161	598	-	11,759

17. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

17.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial statements approximate their fair values except for financial investments measured at amortised cost of which fair value is determined based on the quoted market prices and disclosed in note 5 of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

17. Fair value measurements (continued)

17.2 Fair value of financial and non-financial items carried at fair value

17.2.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2012.

17.2.2 Fair value measurements recognised in the condensed consolidated statement of financial position

The following table provides an analysis of financial and non-financial items that are measured subsequent to initial recognition at fair value, grouped 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2013 (continued)

17. Fair value measurements (continued)

17.2 Fair value of financial and non-financial items carried at fair value (continued)

17.2.2 Fair value measurements recognised in the condensed consolidated statement of financial position (continued)

At 30 June 2013

	Level 1 AED'000 Unaudited	Level 2 AED'000 Unaudited	Level 3 AED'000 Unaudited	Total AED'000 Unaudited
At fair value through profit or loss				
Structured investments	110,571	-	-	110,571
Unit linked investments	214,920	-	-	214,920
	325,491	-	-	325,491
At fair value through other comprehensive income				
Quoted equity instruments and mutual funds	218,402	-	-	218,402
Unquoted equity instruments	-	-	200,595	200,595
	218,402	-	200,595	418,997
Investment properties	-	423,925	-	423,925
	-	423,925	-	423,925
Total	543,893	423,925	200,595	1,168,413

Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2013 (continued)

17. Fair value measurements (continued)

17.2 Fair value of financial and non-financial items carried at fair value (continued)

17.2.2 Fair value measurements recognised in the condensed consolidated statement of financial position (continued)

There were no transfers between each of level during the year. There are no financial liabilities which should be measured at fair value and accordingly, no disclosure is made in the above table.

Reconciliation of movements in level 3 financial assets measured at fair values:

	2013 AED'000
Balance at 1 January (audited)	**167,038**
Additions during the period	**33,200**
Disposals during the period	**(959)**
Gains/(losses) recognised in other comprehensive income	**1,316**
Balance at the 30 June (unaudited)	**200,595**

The disclosure of comparative information in respect of the above is not made in these condensed consolidated financial statements as IFRS 13 does not require to provide comparative information for periods before initial application.

18. Effects of change in accounting policy

As disclosed in note 3.2.1, the Group voluntarily changed their accounting policy for recognizing revenue from insurance contracts relating to general insurance business.

The effect of the change in accounting policy for the current period resulted in reducing the profit for the six months period by AED 18,349 thousands and increase of insurance contract assets and insurance contract liabilities respectively by AED 74,435 thousands and AED 139,072 thousands at 30 June 2013.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2013 (continued)

18. Effects of change in accounting policy (continued)

The effects of the retrospective application of the change in accounting policy to the prior years/periods consolidated financial statements are summarized below:

18.1 Impact of the change in accounting policy for consolidated statement of financial position as at 1 January 2012

	At 1 January 2012 as previously reported AED'000 Unaudited	Restatements AED'000 Unaudited	At 1 January 2012 restated AED'000 Unaudited
Retained earnings	374,157	(86,298)	287,859
Insurance contract assets	972,244	(6,612)	965,632
Insurance contract liabilities	1,945,112	79,686	2,024,798

18.2 Impact of the change in accounting policy for the consolidated statement of financial position as at 31 December 2012

	At 31 December 2012 as previously reported AED'000 Unaudited	Restatements AED'000 Unaudited	At 31 December 2012 restated AED'000 Unaudited
Retained earnings	172,295	(46,288)	126,007
Insurance contract assets	1,065,852	(18,533)	1,047,319
Insurance contract liabilities	2,294,749	27,755	2,322,504

18.3 Impact of the change in accounting policy for the condensed consolidated income statement

18.3.1 Impact of the change in accounting policy for the condensed consolidated income statement for the six months period ended 30 June 2012

	As previously reported		Restatements		Restated	
	30 June 2012 AED '000 Unaudited	31 March 2012 AED '000 Unaudited	30 June 2012 AED'000 Unaudited	31 March 2012 AED'000 Unaudited	30 June 2012 AED'000 Unaudited	31 March 2012 AED'000 Unaudited
Net change in unearned premium	(83,287)	(111,913)	34,509	7,567	(48,778)	(104,346)
Profit for the period	91,633	79,700	34,509	7,567	126,142	87,267
Basic earnings per share (AED)	0.20	0.17	0.07	0.02	0.27	0.19

Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2013 (continued)

18. Effects of change in accounting policy (continued)

18.3.2 Impact of the change in accounting policy for the condensed consolidated income statement for the three months period ended 31 March 2013

	As previously reported 31 March 2013 AED'000 Unaudited	Restatements AED'000 Unaudited	Restated 31 March 2013 AED'000 Unaudited
Net change in unearned premium	(114,915)	(25,036)	(139,951)
Profit for the period	70,618	(25,036)	45,582
Basic earnings per share (AED)	0.16	(0.05)	0.11

19. Dividends

At the Annual General Meeting held on 31 March 2013, the shareholders approved a cash dividend distribution of 5% amounting to AED 23,094 thousand (AED 5 fils per share) for 2012. A scrip dividend of 10% (AED 10 fils per share) amounting to AED 41,988 thousand was declared in the Annual General Meeting held on 27 March 2012 for 2011.

20. Seasonality of results

Net investment income includes dividend income of AED 19,256 thousand for the six months period ended 30 June 2013 (30 June 2012: AED 39,925 thousand), which is of a seasonal nature.

21. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 6 August 2013.