National General Insurance Co. (P.S.C.)

Financial statements

31 December 2012

National General Insurance Co. (P.S.C.)

Financial Statements
31 December 2012

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Report of the Board of Directors

Dear Shareholders,

The Board of Directors have the pleasure to welcome you to the Twelfth Annual General Meeting and present their report together with the audited financial statements for the year ended 31 December 2012.

FINANCIAL RESULTS

1. The Company reported a net profit of AED 46,400,395 for the year 2012 against AED 28,320,402 for 2011 an increase of 64%

2. Gross premiums increased from AED 435,429,709 in 2011 to AED 448,964,405 in 2012 an increase of 3 % and the retained premiums increased from AED 248,212,680 in 2011 to AED 299,414,232 in 2012.

3. The gross claims paid by the Company during the year 2012 amounted to AED 272,680,817 compared with AED 271,002,518 in 2011 and the net incurred claims reduced to AED 197,679,250 in 2012 from AED 208,234,516 in 2011.

4. Underwriting profit increased from AED 24,210,206 in 2011 to AED 36,260,379 in 2012 an increase of 50%.

5. The investment income was AED 16,852,367 in 2012 compared to 8,859,642 in 2011 an increase of 90%.

6. General and Management expenses including expenses directly attributable to underwriting activities for the year 2012 AED 42,795,966 compared to AED 36,699,527 in 2011.

7. Investment fund comprising of investment properties, securities and cash and bank balances was AED 515,242,392 at the end of 2012 compared with AED 478,532,932 in 2011.

8. The Technical Reserves (i.e. net unearned premium reserve, and net provision for outstanding claims) at the end of year 2012 amounted to AED 163,393,997 compared with AED 173,169,545 in 2011. Included in the above is Life Assurance Fund of AED 50,410,171 as at end 2012 compared to AED 47,157,781 in 2011.

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RECOMMENDATIONS OF THE BOARD OF DIRECTORS

The Board of Directors has the pleasure in presenting the following recommendations to the shareholders:

1. Consider, discuss and approve the Board of Directors' report.
2. Consider, discuss and approve the Auditors' report.
3. Consider, discuss and approve the Financial Statements for the year ended 31 December 2012.
4. Absolve the Chairman and Members of the Board from all responsibilities for acts and decisions made by them in fulfilling their functions during the year ended 31 December 2012.
5. Approve the proposed appropriation of the profits as follows:

	AED
Profit brought forward	66,126,895
Add Profit for the year 2012	46,400,395
Total available for distribution	112,527,290
Less	
a) Transfer to Legal reserve - 10% of profit	4,640,040
b) Transfer to General reserve – 10% of profit	4,640,040
c) Director's remuneration	2,962,261
d) Proposed Dividend --- Cash – 20%	29,990,822
Profit carried forward	70,294,127

6. Appoint or re-appoint Auditors for the financial year 2013 and determine their fees. KPMG being eligible for re-appointment have expressed their willingness to continue in office.

The Board of Directors take pleasure in extending, on your behalf, their sincere thanks and appreciation to H.H Sheikh Khalifa Bin Zayed Al Nahyan, the President and H.H Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, for their kind support to the national companies and institutions, which benefited immensely from their wise economic and social policies.

The Directors also appreciate the fruitful co-operation of all customers who had the major role in the progress of the company.

The Directors take this opportunity to express their sincere appreciation and thanks to the Company's executive administration and staff for their loyalty, diligence and hard work, our treaty leaders Messrs Hannover Re and all the Reinsurers for their strong support to the Company.

On behalf of the Board

Hamad Mubarak Buamim
Chairman

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Independent Auditors' Report

The Shareholders,
National General Insurance Co. (P.S.C.)

Report on the Financial Statements

We have audited the accompanying financial statements of National General Insurance Co. (P.S.C.) ("the Company"), which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income (comprising a statement of comprehensive income and a separate income statement), changes in equity and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 about 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 our 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, we consider 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.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 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

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit; the financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law (8) of 1984 (as amended) and the Articles of Association of the Company; that proper financial records have been kept by the Company; and the contents of the Directors' report which relate to these financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and Articles of Association having occurred during the year ended 31 December 2012, which may have had a material adverse effect on the business of the Company or its financial position.

Vijendra Nath Malhotra
Registration No.48 B

05 FEB 2013

National General Insurance Co. (P.S.C.)
Statement of financial position
As at 31 December 2012

	Note	2012 AED	2011 AED
ASSETS			
Property and equipment	*6*	35,352,512	3,748,347
Intangible assets	*6.1*	699,448	805,367
Investment properties	*7*	209,110,399	238,000,000
Investments securities	*8*	185,849,931	106,638,660
Reinsurance assets	*11*	219,706,275	241,035,720
Insurance and other receivables	*9*	95,936,043	137,152,744
Cash and cash equivalent	*10*	120,282,062	133,894,272
Total assets		866,936,670	861,275,110
LIABILITIES			
Insurance contract provisions	*11*	383,100,272	414,205,265
Insurance and other payables	*12*	98,890,384	127,606,363
Payable to policyholders of unit linked products	*22*	39,130,330	-
Total liabilities		521,120,986	541,811,628
EQUITY			
Share capital	*13*	149,954,112	149,954,112
Legal reserve	*13*	47,475,696	42,835,656
General reserve	*13*	46,859,710	42,219,670
Fair value reserve		(1,721,044)	(12,526,841)
Retained earnings		103,247,210	96,980,885
Total equity		345,815,684	319,463,482
Total liabilities and equity		866,936,670	861,275,110

The notes on pages 10 to 43 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 05 FEB 2013 and signed on their behalf by:

Hamad Mubarak Buamim
Chairman

Dr. Abdul Zahra A. Ali
Chief Executive Officer

Independent auditor's report is set out on page 3 - 4.

National General Insurance Co. (P.S.C.)
Statement of income
For the year ended 31 December 2012

	Note	2012 AED	2011 AED
Gross written premiums	20	448,964,405	435,429,709
Reinsurance ceded		(149,550,173)	(187,217,029)
Net premiums		299,414,232	248,212,680
Change in unearned premium provision and payable to policyholders of unit linked product		(37,573,909)	9,562,931
Net earned premiums	20	261,840,323	257,775,611
Reinsurance commission earned	20	36,828,087	40,826,125
Total underwriting income		298,668,410	298,601,736
Claims paid		(272,680,817)	(271,002,518)
Reinsurance share of claims paid		64,802,719	63,670,873
Net claims paid		(207,878,098)	(207,331,645)
Change in outstanding claims provision		10,198,848	(902,871)
Net incurred claims	20	(197,679,250)	(208,234,516)
Commission paid	20	(27,140,740)	(29,856,892)
Administrative expenses	17, 20	(36,083,615)	(31,950,081)
Net underwriting expenses		(260,903,605)	(270,041,489)
Net movement in life assurance fund	20	(1,979,721)	(4,350,041)
Increase in fair value of investments held for unit linked products	22	475,295	-
Total underwriting expense		(262,408,031)	(274,391,530)
Underwriting profit	20	36,260,379	24,210,206
Interest and other income (net)		2,724,849	1,870,851
Rental income	7	3,942,793	4,006,573
Net gain from investment securities	16	8,184,725	2,482,218
Fair value gain / (loss) on investment properties	7	2,000,000	500,000
Net gain / (loss) from investments		16,852,367	8,859,642
General and administrative expenses	17	(6,712,351)	(4,749,446)
Profit for the year		46,400,395	28,320,402
Basic and diluted earnings per share	21	0.31	0.19

The notes on pages 10 to 43 form an integral part of these financial statements.
Independent auditor's report is set out on page 3 - 4.

National General Insurance Co. (P.S.C.)
Statement of comprehensive income
For the year ended 31 December 2012

	2012 AED	2011 AED
Profit for the year	46,400,395	28,320,402
Other comprehensive income		
Net change in fair value	3,960,786	(1,732,398)
Fair value loss transferred to profit and loss on disposal of instruments	-	(2,999,083)
Total other comprehensive income for the year	3,960,786	(4,731,481)
Total comprehensive income for the year	50,361,181	23,588,921

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National General Insurance Co. (P.S.C.)
Statement of cash flows
For the year ended 31 December 2012

	Note	2012 AED	2011 AED
Cash flows from operating activities			
Profit for the year		46,400,395	28,320,402
Adjustment for:			
Depreciation and amortisation	6.2	3,312,864	698,169
Reversal of provision / provision for doubtful receivables	9.1	(109,146)	99,131
Unrealised (gains) / losses on investments fair valued through profit or loss	16	(2,596,986)	2,675,251
Realised gains on investment	16	(1,817,639)	(2,999,083)
Dividend income	16	(3,770,100)	(2,158,386)
Unrealised gains on fair value of investment properties	7	(2,000,000)	(500,000)
Change in unearned premium reserve and life assurance fund		423,300	(5,212,890)
Provision for gratuity - net of repayment		599,391	709,295
		40,442,079	21,631,889
Change in insurance and other receivables		41,325,847	8,820,841
Change in insurance and other payables		(29,315,370)	(85,022,588)
Change in net outstanding claims		(10,198,848)	902,871
Director's Remuneration		(1,515,864)	(3,400,000)
Net cash generated from / (used in) operating activities		40,737,844	(57,066,987)
Cash flows from investing activities			
Change in investments at fair value through profit or loss (net)		(19,819,696)	(14,200,360)
Dividend income		3,770,100	2,158,386
Change in property and equipment (net)		(3,921,509)	(3,911,958)
Change in investment at amortised cost (net)		(2,336,633)	-
Change in investments at fair value through OCI (net)		(9,549,201)	1,153,428
Decrease / (increase) in bank deposits		48,661,296	(90,305,000)
Net cash generated from / (used in) investing activities		16,804,357	(105,105,504)
Cash flows from financing activities			
Dividends paid		(22,493,115)	(37,488,528)
Net cash used in financing activities		(22,493,115)	(37,488,528)
Net decrease in cash and cash equivalents		35,049,086	(199,661,019)
Cash and cash equivalents at 1 January	10	43,589,272	243,250,291
Cash and cash equivalents at 31 December		78,638,358	43,589,272

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Independent auditor's report is set out on page 3 - 4.

National General Insurance Co. (P.S.C.)

Statement of changes in shareholders' equity

For the year ended 31 December 2012

	Share capital AED	Legal reserve AED	General reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
As at 1 January 2011	149,954,112	40,003,616	39,387,630	(7,795,360)	115,213,091	336,763,089
Total comprehensive income for the year						
Profit for the year	-	-	-	-	28,320,402	28,320,402
Other comprehensive income for the year						
Net change in fair value of available for sale investments	-	-	-	(1,732,398)	-	(1,732,398)
Net change in fair value of available for sale investment transferred to profit and loss	-	-	-	(2,999,083)	-	(2,999,083)
Total other comprehensive income for the year	-	-	-	(4,731,481)	-	(4,731,481)
Total comprehensive income for the year	-	-	-	(4,731,481)	28,320,402	23,588,921
Directors' remuneration	-	-	-	-	(3,400,000)	(3,400,000)
Issue of bonus shares	-	-	-	-	-	-
Transfer to legal reserve	-	2,832,040	-	-	(2,832,040)	-
Transfer to general reserve	-	-	2,832,040	-	(2,832,040)	-
Dividends paid	-	-	-	-	(37,488,528)	(37,488,528)
As at 31 December 2011	149,954,112	42,835,656	42,219,670	(12,526,841)	96,980,885	319,463,482
Balance at 1 January 2012	149,954,112	42,835,656	42,219,670	(12,526,841)	96,980,885	319,463,482
Total Comprehensive income for the year						
Profit for the year	-	-	-	-	46,400,395	46,400,395
Other comprehensive income for the year						
Net change in fair value of investments at fair value through OCI	-	-	-	3,960,786	-	3,960,786
Loss on sale of investment at fair value through OCI	-	-	-	6,845,011	(6,845,011)	-
Total other comprehensive income for the year	-	-	-	10,805,797	(6,845,011)	3,960,786
Total comprehensive income for the year	-	-	-	10,805,797	39,555,384	50,361,181
Directors' remuneration	-	-	-	-	(1,515,864)	(1,515,864)
Issue of bonus shares	-	-	-	-	-	-
Transfer to legal reserve	-	4,640,040	-	-	(4,640,040)	-
Transfer to general reserve	-	-	4,640,040	-	(4,640,040)	-
Dividends paid	-	-	-	-	(22,493,115)	(22,493,115)
As at 31 December 2012	149,954,112	47,475,696	46,859,710	(1,721,044)	103,247,210	345,815,684

The notes on pages 10 to 43 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 4.

1. Reporting entity

National General Insurance Co. (P.S.C) ("the Company") is a Public Shareholding Company registered under UAE Federal Law No. (8) of 1984 as amended, in the Emirate of Dubai with effect from 12 September 2001.

The Company was originally incorporated as a Private Limited Liability Company, registered under UAE Federal Law No. (8) of 1984, as amended, in the Emirate of Dubai.

The Company underwrites all classes of life and general insurance business as well as certain reinsurance business in accordance with the provisions of the UAE Federal Law no. 6 of 2007 relating to establishment of insurance authority and UAE Federal law no. 9 of 1984 relating to insurance companies and brokers.

The registered office of the Company is at the NGI House, P.O. Box 154, Dubai, UAE.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and applicable requirements of UAE Law.

The Company had adopted IFRS 9, Financial instruments in 2011 in advance of its effective date. The Company had chosen 1 January 2011 as its date of initial application.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are stated at fair value :

i) financial instruments at fair value through profit or loss (" FVTPL");
ii) financial instruments at fair value through other comprehensive income ("FVTOCI"); and
iii) investment properties.

The methods used to measure fair values are discussed in note 3(j).

c) Functional and presentation currency

These financial statements are presented in U.A.E. Dirhams ("AED"), which is the Company's functional currency. Except as otherwise indicated, financial information presented has been rounded to the nearest Dirham.

d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been consistently applied by the Company.

a) Insurance contracts

i) Classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to happening of the insured event compared to its non happening.

Insurance contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where insurance risk is not significant are classified as investment contracts.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

3. Significant accounting policies (Continued)

a) Insurance contracts (Continued)

ii) Recognition and measurement

Premiums

Gross premiums written reflect business incepted during the year, and exclude any fees and other amounts collected with and calculated based on premiums. These are recognised when underwriting process is complete and policies are issued.

The earned proportion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium provision

Unearned premiums, other than individual life business, are computed using mathematical models to spread premium written evenly over period of coverage. Unearned premiums for individual life business are considered by the Company's actuary in the calculation for Life Reserve Fund.

iii) Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position on the basis of management estimates. The basis of estimating outstanding claims and IBNR are detailed in note 11.

iv) Provision for premium deficiency / liability adequacy test

Provision is made for premium deficiency arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions.

3. Significant accounting policies (continued)

a) Insurance contracts (continued)

v) Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of income in the period in which they are incurred.

Profit commission in respect of reinsurance contracts is recognised on an accrual basis and reinsurance commission is recognised on the basis stated in note 3(b).

vi) Deferred acquisition cost

For general insurance contracts, the deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date.

vii) Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

3. Significant accounting policies (continued)

a) Insurance contracts (continued)

viii) Life assurance fund
The fund is determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of fund are affected by charges or credits to income. Certain generated returns are accrued and provided for in the life fund.

ix) Insurance contract provision and reinsurance assets
Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the statement of financial position date, in addition for claims incurred but not reported and Life assurance fund. 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 statement of financial position date.
The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the financial statements

b) Revenue (other than insurance revenue)
Revenue (other than insurance revenue) comprises the following:

i) Fee and commission income
Fee and commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies.

ii) Investment income
Investment income comprises income from financial assets, rental income from investment properties and fair value gains/losses on investment property.

Income from financial assets comprises interest and dividend income, net gains/losses on financial assets classified at fair value through profit or loss (FVTPL) , and realised gains/losses on other financial assets.

Interest income is recognised on a time proportion basis using effective interest rate method. Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities. Basis of recognition of net gains/losses on financial assets classified at fair value through profit or loss and realised gains on other financial assets is described in note 3 (g).

Fair value gains/losses on investment property are included in the statement of income in the period these gains/losses are determined. Details of valuations during the year are included in note 7.

3. Significant accounting policies (continued)

c) Operating leases

Payments made under operating leases for office premises equipments are recognised in statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

d) Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in statement of income as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in statement of income on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives for various categories of property and equipment is as follows :

Office Building	30 years
Furniture and Fixtures	4 years
Office Equipment	4 years
Motor Vehicles	4 years
Computer Equipment	4 years

3. Significant accounting policies (continued)

e) Intangible assets (Software)

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is four years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in statement of income.

The Company determines fair value on the basis of valuation provided by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

g) Non-derivative financial assets

Recognition

The Company initially recognises loans and advances and deposits on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes party to the contractual provision of the instrument.

A financial assets or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

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

Classification

At inception a financial asset is classified as measured at amortised cost or fair value.

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions :

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

3. **Significant accounting policies (continued)**

g) **Non-derivative financial assets (continued)**

Classification (continued)

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

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Company has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial assets at FVTOCI

At initial recognition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in certain equity instruments as at FVTOCI (fair value through other comprehensive income). Designation to FVTOCI is not permitted if the equity instrument is held for trading.

Dividend in these investments in equity instruments are recognised in the income statement when the Company's right to receive the dividends is established, unless the dividends clearly represents a recovery of part of the cost of the investment.

Gains and losses on such equity instruments are never reclassified to income statement and no impairment is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except when the Company changes its business model for managing financial assets.

3. Significant accounting policies (continued)

g) Non-derivative financial assets (continued)

Classification (continued)

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

h) Impairment

Impairment of financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost are impaired. A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows relating to the asset that can be estimated reliably. The Company considers evidence of impairment at both a specific and collective level.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Company.

Impairment of loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by companying together loans and receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

At each reporting date, the Company assesses on a case-by-case basis whether there is any objective evidence that a asset is impaired. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

3. Significant accounting policies (continued)

h) Impairment (continued)

Impairment of loans and receivables (continued)

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off and/or any event resulting in a reduction in impairment loss, decreases the amount of the provision for loan impairment in the income statement. Impairment losses are recognised in the income statement and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

i) De-recognition of financial assets

The Company derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control on the financial asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Company is recognised as separate asset or liability in the statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in income statement.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the financial assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfer of assets with retention of all or substantially all risks and rewards include, securities lending and repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the services.

3. **Significant accounting policies (continued)**

j) **Fair value measurement principles**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

When a market for a financial instrument is not active, the Company establishes fair value using valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, net present value techniques and discounted cash flow methods. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other observable current market data.

The Company measures fair value using the following fair value hierarchy that reflects the significance of input used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using : quoted market prices in active markets for similar instruments; quoted prices for similar or identical instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

k) **Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

l) **Foreign currency transactions**

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the reporting date. Non monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realised and unrealised exchange gains and losses have been dealt with in the statement of income.

3. Significant accounting policies (continued)

m) Employee terminal benefits

Defined benefit plan

Provision is made for employee terminal benefits in accordance with the Company's policy, which meets the requirements of the UAE Federal Labour Law applicable to an employee's accumulated period of service at the reporting date. The management considers that the difference between the liability as calculated using an actuarial method would not be materially different from the provision carried in the financial statements.

Defined contribution plan

The Company pays its obligations regarding UAE citizens into a Social Security and UAE Pension Fund in accordance with the UAE Federal Law No. 7 of 1999 for Pension and Social Security.

n) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

3. Significant accounting policies (continued)

p) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or of gains and losses arising from a group of similar transactions such as in the Company's trading activity.

q) Directors remuneration

In accordance with the Ministry of Economy and Commerce Interpretation of Article 118 of Federal Law No. 8 of 1984 (as amended), directors' remuneration of the Company has been treated as an appropriation from equity and presented under statement of changes in equity.

r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IAS 1 (Amendment)	Presentation of Financial Statements	(effective 1 July 2012)
IFRS 7 (Amendment)	Financial Instruments: Disclosures	(effective 1 January 2013)
IFRS 13	Fair Value Measurement	(effective 1 January 2013)
IAS 19 (Amendment)	Employee Benefits	(effective 1 January 2013)
IAS 32 (Amendment)	Financial Instruments : Presentation	(effective 1 January 2014)
IFRS 9 (2010)	Financial Instruments	(effective 1 January 2015)

r) **New standards and interpretations not yet adopted** ***(continued)***

The Company is already following IFRS 9 (2009) which sets out guidelines for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Company has commenced the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Company's operations, this standard is expected to have a limited pervasive impact on the Company's financial statements.

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Company is currently reviewing its methodologies for determining fair values. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Company to provide additional disclosures. These include fair value hierarchy disclosures for non - financial assets/ liabilities and disclosures on fair value measurements that are categorised in Level 3.

4. Risk management

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks. This section summarises these risk and the way the Company manages them:

i) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Management recognises the critical importance of having efficient and effective risk management systems in place.

4. Risk management (continued)

ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

iii) Capital management framework

The Company has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on economic capital.

iv) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and shareholders and monitor closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

v) Asset liability management ("ALM")

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces due to the nature of its investments and liabilities is interest rate risk and equity price risk. The Company manages these positions within an ALM frame work that has been developed by management to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Company's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

4. Risk management (continued)

v) Asset liability management ("ALM") - (continued)

a) Insurance risks

The Company accepts insurance risk through its written insurance contracts. The Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company writes the following types of general insurance and life insurance contracts:

General insurance contracts

- Liability insurance
- Property insurance
- Motor insurance
- Fire Insurance
- Health insurance
- Marine Insurance
- Engineering Insurance

Life insurance contracts

- Group life insurance
- Individual life insurance

Two key elements of the Company's insurance risk management framework are its underwriting strategy and reinsurance strategy, as discussed below.

Underwriting strategy

General insurance

The Company's underwriting strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolios outcome.

The underwriting strategy is set out by the Company that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Company is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the portfolio. All general insurance contracts except marine, are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

Medical selection is part of the Company's underwriting procedures, whereby premiums are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

4. Risk management (continued)

v) Asset liability management ("ALM") - (continued)

a) Insurance risks (continued)

Life insurance

Underwriting is managed at each business unit through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

Reinsurance strategy

The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

Ceded reinsurance contains credit risk, as discussed in the financial risk management note. The Company has a Reinsurance department that is responsible for setting the minimum security criteria for acceptable reinsurance and monitoring the purchase of reinsurance by the business units against those criteria. The department monitors developments in the reinsurance programme and its ongoing adequacy.

The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Company. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances. All purchases of facultative reinsurance are subject to business unit pre-approval and the total expenditure on facultative reinsurance is monitored regularly by reinsurance department.

b) Financial risks

The Company has exposure to the following primary risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

4. Risk management (continued)

b) Financial risks (continued)

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

For all classes of financial assets held by the Company the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.

Reinsurance is placed with reinsurers' approved by the management, which are generally international reputed companies.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurer's and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

At each reporting date, management performs an assessment of creditworthiness of reinsurers' and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment if required.

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Non-trading investments		**Insurance and other receivables**		**Reinsurance assets**	
	2012 AED	2011 AED	2012 AED	2011 AED	2012 AED	2011 AED
Carrying amount	21,102,825	16,948,553	101,936,043	143,261,890	156,071,190	173,530,895
Concentration by sector						
- Financial institution / Reinsurance			28,470,463	22,317,906	156,071,190	173,530,895
- Banks	15,408,900	408,900	7,102,633	26,786,224	-	-
- Real estate	1,102,050	-	5,808,720	7,864,769	-	-
- Service	-	-	-	-	-	-
- Others	4,591,875	16,539,653	60,554,227	86,292,991	-	-
Total carrying	21,102,825	16,948,553	101,936,043	143,261,890	156,071,190	173,530,895
Concentration by location						
- UAE	21,102,825	16,948,553	101,936,043	143,261,890	-	-
- GCC		-	-	-	-	-
- Other Arab Countries	-	-	-	-	-	-
- European Countries	-	-	-	-	156,071,190	173,530,895
- Others		-	-	-	-	-
Total carrying amount	21,102,825	16,948,553	101,936,043	143,261,890	156,071,190	173,530,895

4. **Risk management (continued)**

b) **Financial risks (continued)**

i) Credit risk (continued)

The above class of financial instruments provide the best representation for the Company's maximum exposure to credit risk at the end of the year.

The concentrations by location for insurance and other receivables and reinsurance assets are measured based on the residential status of the counter parties. The concentration by location for non-trading investments is measured based on the location of the issuer of the security.

The age analysis of insurance and other receivables are as follows

	Gross	Impairment	Gross	Impairment
	2012		2011	
	AED	AED	AED	AED
Not past due	54,278,439	-	78,160,874	-
Past due 0-30 days	6,841,066	-	9,388,287	-
Past due 31-120 days	11,496,147	-	10,987,122	-
Past due 120-365 days	17,054,535	-	2,023,420	-
More than 365 days	12,265,856	(6,000,000)	42,702,187	(6,109,146)
	101,936,043	(6,000,000)	143,261,890	(6,109,146)

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarizes the maturity profile of the financial assets and liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2012	**Less than 180 days AED**	**180 days to 1 year AED**	**1-5 Year AED**	**Over 5 Year AED**	**Total AED**
Liabilities					
Insurance and other payables	91,553,377	-	-	-	91,553,377
Outstanding claim reserve	-	177,519,345	-	-	177,519,345
Total liabilities	91,553,377	177,519,345	-	-	269,072,722

31 December 2011	Less than 180 days AED	180 days to 1 year AED	1-5 Year AED	Over 5 Year AED	Total AED
Liabilities					
Insurance and other payables	120,868,747	-	-	-	120,868,747
Outstanding claim reserve	-	199,315,736	-	-	199,315,736
Total liabilities	120,868,747	199,315,736	-	-	320,184,483

National General Insurance Co. (P.S.C.)
Notes (continued)

4. **Risk management (continued)**

b) **Financial risks (continued)**

iii) Market risk

Market 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 limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and bond markets. In addition, the Company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Company's functional currency is the UAE Dirham.

The Company's major exposures are in USD, which is pegged with AED and the Company's exposure to currency risk is limited to that extent. Since almost all reinsurance arrangements are denominated in USD.

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing

The Company's interest risk policy requires to manage interest risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

A summary of the Company's interest rate gap position on the non-trading portfolio based on contractual repayment is as follows:

31 December 2012	Less than 180 days	180 days to 1 year	1-5 Year	Over 5 Year	Total
Assets					
Investment at amortised cost	-	-	408,900	20,693,925	21,102,825
Cash at bank	96,754,950	-	-	-	96,754,950
Total assets	96,754,950	-	408,900	20,693,925	117,857,775
Liabilities	-	-	-	-	-
	96,754,950	-	408,900	20,693,925	117,857,775

4. **Risk management (continued)**

b) **Financial risks (continued)**

iii) Market risk (continued)

b) Interest rate risk (continued)

31 December 2011	Less than 180 days	180 days to 1 year	1-5 Year	Over 5 Year	Total
Assets					
Investment at amortized cost	-	-	16,948,553	-	16,948,553
Cash at bank	104,775,669	-	-	-	104,775,669
Total assets	104,775,669	-	16,948,553	-	121,724,222
Liabilities	-	-	-	-	-
	104,775,669	-	16,948,553	-	121,724,222

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit or loss (AED) 100 bp	
31 December 2012	**Increase**	**Decrease**
Financial instruments		
Financial assets	1,178,578	(1,178,578)

	Profit or loss (AED) 100 bp	
31 December 2011	Increase	Decrease
Financial instruments		
Financial assets	1,217,242	(1,217,242)

Fair value sensitivity analysis for fixed rate instruments

Fixed rate interest bearing financial assets, which are carried at cost are not exposed to interest rate risk.

4. Risk management (continued)

b) Financial risks (continued)

iii) Market risk (continued)

c) Price risk

Price risk is the risk that the fair value of a financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Company's price risk policy requires is to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, sector and market. The fair values of financial assets are not different from their carrying values.

Sensitivities

The table below shows the results of sensitivity testing on the Company's profit or loss and equity by type of business. The sensitivity analysis indicates the effect of changes in price risk factors arising from the impact of the changes in these factors on the Company's investments:

	10% increase in price		10% decrease in price	
	Profit or loss AED	Equity AED	Profit or loss AED	Equity AED
31 December 2012				
Fair value through OCI	-	4,635,005	-	(4,635,005)
Fair value through profit or loss	11,839,706	-	(11,839,706)	-
31 December 2011				
Fair value through OCI	-	3,284,007	-	(3,284,007)
Fair value through profit or loss	5,685,004	-	(5,685,004)	-

iv) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorization and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

5. Use of estimates and judgements

The areas of the Company's business containing key sources of estimation uncertainty include the measurement of insurance contract provisions and the determination of the fair values of financial instruments.

Measurement of insurance contract provisions

The Company's accounting policy in respect of insurance contract accounting is discussed in more detail in note 3(a). The key assumptions made in respect of insurance contract liabilities are included in note 11.

Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Company.

There are a number of contracts sold where the Company exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Company is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

Individual life insurance

The assumptions used in the actuarial valuations for life fund are consistently applied and these assumptions are based on mortality and withdrawal rate assumptions. Also refer 3(a)(viii).

Provision for outstanding claims, whether reported or not

Considerable judgment by the management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the date of statement of financial position. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends and are presented in note 11.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

5. **Use of estimates and judgements (continued)**

Classification of financial instruments

Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating the credit and liquidity position of the policy holders and the insurance and reinsurance companies, historical recovery rates including detailed investigations carried out during 2012 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

Provision made for the doubtful debts on insurance receivables at 31 December 2012 was AED 6,000,000 (2011: AED 6,109,146).

Liability Adequacy Test

At each statement of financial position date, 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.

Fair Value Hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Investments securities	Note	Level 1	Level 2	Level 3	Total
31 December 2012	8	140,162,370	24,584,736	-	164,747,106
31 December 2011	8	56,850,041	32,840,066	-	89,690,107

6. **Property and equipment**

	Note	2012 AED	2011 AED
Operating assets	6.2	35,215,127	626,513
Capital work in progress		137,385	3,121,834
At 31 December		35,352,512	3,748,347

6.1 Intangible Assets

		2012 AED	2011 AED
Software	6.2	699,448	805,367

6.2 Operating assets

	Office Building	Furniture and fixtures	Office equipment	Motor vehicles	Computer equipment	Total tangible operating assets	Intangible Assets
		AED	AED	AED	AED	AED	AED
Cost							
At 1 January 2011	-	2,388,739	832,525	227,650	2,225,857	5,674,771	3,167,174
Additions	-	37,322	26,848	182,000	174,214	420,384	369,741
Disposals	-	-	-	(98,000)	-	(98,000)	-
At 31 December 2011	-	2,426,061	859,373	311,650	2,400,071	5,997,155	3,536,915
At 1 January 2012	-	2,426,061	859,373	311,650	2,400,071	5,997,155	3,536,915
Additions	-	5,342,558	221,560	13,000	1,003,845	6,580,963	330,666
Transfer from						-	
Investment Property	30,889,601	-	-	-	-	30,889,601	-
(Refer Note 7)						-	
Disposals / write off	-	(1,634,180)	-	-	-	(1,634,180)	-
At 31 December 2012	30,889,601	6,134,439	1,080,933	324,650	3,403,916	41,833,539	3,867,581
Depreciation & Amortisation							
At 1 January 2011	-	2,301,228	764,364	203,576	1,788,261	5,057,429	2,444,592
Charge for the year	-	58,467	34,869	57,916	259,961	411,213	286,956
On disposals / write off	-	-	-	(98,000)	-	(98,000)	-
At 31 December 2011	-	2,359,695	799,233	163,492	2,048,222	5,370,642	2,731,548
At 1 January 2012	-	2,359,695	799,233	163,492	2,048,222	5,370,642	2,731,548
Charge for the year	1,029,653	1,324,625	79,295	51,754	390,952	2,876,279	436,585
On disposals / write off	-	(1,628,509)	-	-	-	(1,628,509)	-
At 31 December 2012	1,029,653	2,055,811	878,528	215,246	2,439,174	6,618,412	3,168,133
Carrying amounts							
At 31 December 2011	-	66,366	60,140	148,158	351,849	626,513	805,367
At 31 December 2012	29,859,948	4,078,628	202,405	109,404	964,742	35,215,127	699,448

7. Investment properties (within UAE)

	2012 AED	2011 AED
At 1 January	238,000,000	237,500,000
Additions - at cost	-	-
Changes in fair value	2,000,000	500,000
Transfer to Property and equipment	(30,889,601)	-
At 31 December	209,110,399	238,000,000

7. **Investment properties (within UAE) (continued)**

	2012		2011	
	Cost	**Fair Value**	Cost	Fair Value
Land at Mizin	**28,692,060**	**39,000,000**	28,692,060	37,000,000
Lan at Meydan	**90,935,000**	**88,000,000**	90,935,000	88,000,000
NGI House	**63,156,439**	**82,110,399**	88,375,000	113,000,000
Total	**182,783,499**	**209,110,399**	208,002,060	238,000,000

The Company transferred a portion of building amounting to AED 30,889,601, from investment property (carried at fair value) to property and equipment due to change in the use. The transfer has been recorded at fair value of the portion of the property transferred as on the date of change. This fair value is considered to be the deemed cost of the property which will be subsequently depreciated over its remaining useful life, which is estimated to be 30 years.

Investment property comprises of two plots of land and rented out portion of a commercial building.

The investment properties have been valued by independent property valuers and a net increase of AED 2,000,000 reflecting change in the fair value has been recorded in the statement of income.
The rental income and operating expenses relating to these properties are as follows:

	2012 AED	2011 AED
Fair value gain / (loss) on investment properties	**2,000,000**	500,000
Rental income	**5,934,582**	6,314,392
Operating Expenses	**(1,991,789)**	(2,307,819)

8 **Investment securities**

	2012 AED	2011 AED
Financial assets at fair value through profit or loss	**118,397,058**	56,850,041
Financial assets at fair value through other comprehensive income	**46,350,048**	32,840,066
Financial assets at amortised costs	**21,102,825**	16,948,553
At 31 December	**185,849,931**	106,638,660

8.1 **Investments at fair valued through profit or loss**

	2012 AED	2011 AED
Investments held on behalf of policyholders of unit linked products	**39,130,330**	-
Equity investments – Quoted	**79,266,728**	56,850,041
At 31 December	**118,397,058**	56,850,041

Equity investments classified at fair value through profit or loss are designated in this category upon the initial recognition.
Shares amounting to AED 3.93 million (2011: AED 3.96 million) are held in the name of a Director for the beneficial interest of the Company.

8 **Investment securities (continued)**

8.2

	2012 AED	2011 AED
Investments made		
- Within UAE	181,703,263	78,852,171
- Outside UAE	4,146,668	27,786,489
At 31 December	185,849,931	106,638,660

9 **Insurance and other receivables**

	2012 AED	2011 AED
Premium receivable	54,412,334	101,229,163
Reinsurance companies	29,629,810	22,317,906
Insurance agents and brokers	217,001	2,726,856
Due from related parties (Refer note 18)	14,603,353	13,863,598
Accrual of interest and other income	1,319,020	735,310
Advances and prepayments	1,548,693	2,265,620
Other receivables	205,832	123,437
	101,936,043	143,261,890
Less: Provision for doubtful receivables (note 9.1)	(6,000,000)	(6,109,146)
At 31 December	95,936,043	137,152,744

9.1 **Provision for doubtful receivables**

	2012 AED	2011 AED
Balance 1 January	6,109,146	6,010,015
Charge for the year	(109,146)	99,131
At 31 December	6,000,000	6,109,146

10. **Cash and cash equivalent (within UAE)**

	2012 AED	2011 AED
Cash in hand	88,985	90,340
Cash at bank	23,438,127	29,028,262
Short term deposits	96,754,950	104,775,670
	120,282,062	133,894,272
Less : Deposits with original maturities of greater than three months	(41,643,704)	(90,305,000)
Cash and cash equivalents at 31 December	78,638,358	43,589,272

Included in short term deposits with banks operating in the U.A.E., is a deposit amounting to AED 10 million and AED 4.5 million held under lien as collateral in the name of the company to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law number (6) of 2007 relating to Insurance Authority and other performance guarantees respectively.

11. Insurance contract provisions and reinsurance assets

Outstanding claims reserve

	2012 AED	2011 AED
Reserve for outstanding claims	177,519,345	199,315,736
Reserve for incurred but not reported claims	9,949,081	15,811,243
	187,468,426	215,126,979
Life assurance fund	50,410,171	47,157,781
Unearned premium reserve	145,221,675	151,920,505
	383,100,272	414,205,265
Less: Reinsurance assets		
Reinsurer share of outstanding claims	(156,071,190)	(173,530,895)
Unamortised reinsurance premium reserve	(63,635,085)	(67,504,825)
	(219,706,275)	(241,035,720)
Net Insurance contract provision at 31 December	163,393,997	173,169,545

Movements in outstanding claims and reinsurance assets

	2012 Gross AED	2012 Reinsurance AED	2012 Net AED
Total at the beginning of the year	215,126,979	(173,530,895)	41,596,084
Less: Settled during the year	(272,680,817)	64,802,719	(207,878,098)
Add: Provision made during the year	245,022,264	(47,343,014)	197,679,250
At 31 December	187,468,426	(156,071,190)	31,397,236

	2011 Gross AED	2011 Reinsurance AED	2011 Net AED
Total at the beginning of the year	211,028,187	(170,334,974)	40,693,213
Less: Settled during the year	(271,002,518)	63,670,873	(207,331,645)
Add: Provision made during the year	275,101,310	(66,866,794)	208,234,516
At 31 December	215,126,979	(173,530,895)	41,596,084

Movements in unearned premium reserve

	2012 Gross AED	2012 Reinsurance AED	2012 Net AED
Balance at 1 January	151,920,505	(67,504,825)	84,415,680
Provision made during the year	145,221,675	(63,635,085)	81,586,590
Provision released during the year	(151,920,505)	67,504,825	(84,415,680)
At 31 December	145,221,675	(63,635,085)	81,586,590

	2011 Gross AED	2011 Reinsurance AED	2011 Net AED
Balance at 1 January	162,891,534	(68,912,923)	93,978,611
Provision made during the year	151,920,505	(67,504,825)	84,415,680
Provision released during the year	(162,891,534)	68,912,923	(93,978,611)
At 31 December	151,920,505	(67,504,825)	84,415,680

National General Insurance Co. (P.S.C.)
Notes (continued)

11. Insurance contract provisions and reinsurance assets (continued)

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market practices or other published information.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The method used by the Company for provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries.

The assumptions that have the greatest effect on the measurement of insurance contract provisions are the expected loss ratios for the most recent accident years.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process. The Company believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

Claim movement table

	Provision at the beginning of the year		Claims provided for first time or reopened	Part payment on claims during the	Payment on claims finally settled during the year	Claims closed without payments	Provision at the end of the year	
Year of loss	Outstanding claims	IBNR					Outstanding claims	IBNR
	AED	AED	AED	AED	AED	AED	AED	AED
Current year			247,376,251	1,995,929	196,804,161		38,627,080	9,949,081
First preceding year	60,644,447	15,811,243	37,551,156	37,322	61,748,513		52,221,011	-
Second preceding	17,379,233	-	-	17,500	4,947,720	3,738,616	8,675,397	-
year		-	-	-	-			-
Third preceding year	5,639,039	-	-	56,055	(135,023)	3,827,981	1,890,026	-
Fourth preceding year	19,466,609	-	-	-	1,440,407	16,101,118	1,925,084	-
Fifth and earlier	-	-	-					-
preceding year	96,186,408	-	-		5,768,233	16,237,428	74,180,747	-
Total all years	199,315,736	15,811,243	284,927,407	2,106,806	270,574,011	39,905,143	177,519,345	9,949,081

12. Insurance and other payables

	2012 AED	2011 AED
Creditors	18,210,100	21,876,646
Reinsurance companies	25,264,514	65,028,387
Premium reserve withheld	16,478,206	16,310,693
Due to related parties	4,637,265	-
Accrued expenses	18,419,630	7,531,244
Employee terminal benefits	7,337,007	6,737,616
Commission payable	6,146,472	7,113,227
Other payable balances	2,397,190	3,008,550
At 31 December	98,890,384	127,606,363

13. Share capital and reserves

The Company's issued and fully paid share capital comprises 149,954,112 shares of AED 1.0 each.

	2012		2011	
	No. of Shares	AED	No. of Shares	AED
Balance, beginning of the year	149,954,112	149,954,112	149,954,112	149,954,112
Issue of bonus shares	-	-	-	-
At 31 December	149,954,112	149,954,112	149,954,112	149,954,112

In accordance with the Company's Articles of Association and Article (82) of Union Law No. 10 of 1980, the Company transfers 10% of annual net profits, if any, to the legal reserve until it equals 50% of the share capital. Also, in accordance with its Articles of Association, 10% of annual net profits, if any, may be transferred to a general reserve until it is suspended by an Ordinary General Meeting upon a proposal by the Board of Directors. The General reserve can be utilized for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Director.

The revaluation reserve comprises the cumulative net change in fair value of financial assets designated as fair value through other comprehensive income.

14. Proposed cash dividend

The Board of Directors proposes a cash dividend of AED 29.9 million (2011: AED 22.49 million).

15. Proposed directors' fees

In accordance with the Ministry of Economy & Planning interpretation of Article 118 of Commercial Companies Law No. 8 of 1984, the Board of Directors has proposed remuneration of AED 2.9 million (2011: AED 1.5 million).

16. Net income / (loss) from investments

	For the year ended 31 December	
	2012 AED	2011 AED
Dividend income	3,770,100	2,158,386
Realised gains on investments	1,817,639	2,999,083
Unrealised (losses) / gains on investments fair value through profit and loss	2,596,986	(2,675,251)
	8,184,725	2,482,218

17. General and administrative expenses

	For the year ended 31 December	
	2012 AED	2011 AED
General and administrative expenses for operations	36,083,615	31,950,081
Others	6,712,351	4,749,446
Total	42,795,966	36,699,527

17. General and administrative expenses (continued)

The above general and administration expenses include the following costs:

Staff costs	29,875,758	26,841,687
Rent	1,566,813	2,564,273
Depreciation	3,312,864	689,169
Number of employees at 31 December	233	221

18. Related party transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 (Revised). The Company's management believes that The terms of such transactions are not significantly different from those that could have been obtained from third parties.

a) The following are the details of transactions with related parties

	2012 AED	2011 AED
Premiums written	121,200,127	107,316,986
Claims paid	107,241,930	73,658,396
Directors' and key management personnel (remuneration including benefits)	5,318,774	4,453,967
Interest income	1,516,629	1,809,546
Payment made during the year for investment property	-	87,500,000

b) **Due from related parties**

	2012 AED	2011 AED
Insurance premium receivable (included in receivables)	14,603,353	13,863,598

c) **Due to relates parties**

Payable to a related party	4,637,265	-

d) **Investments at fair value through other comprehensive income**

	2012 AED	2011 AED
Externally managed funds - unquoted	24,584,736	22,269,996

18. Related party transactions (continued)

e) Cash and cash equivalents

	2012 AED	2011 AED
Cash at bank	20,930,295	26,845,048
Short term deposit	96,754,950	104,775,669

19. Contingent liabilities and commitments

Leases as a lessee

Non cancellable operating lease rentals are payable as follows:

	2012 AED	2011 AED
Less than one year	307,045	171,288
More than one year	-	-
At 31 December	307,045	171,288

The Company leases office premises under operating lease. The leases typically run for a period of one year, with an option to renew the lease after that date.

Lease rentals are usually increased / decreased annually to reflect the market rentals. During the year, AED 3.9 million (2011: AED 4 million) was recognised as gross rental income in respect of operating leases.

Capital commitments

Capital commitments as at 31 December 2012 amounted to nil (2011: nil).

Guarantees

	2012 AED	2011 AED
Letters of guarantees	8,309,873	9,437,558

Fixed deposit amounting to AED 14.5 million (2011: AED 9.5 million) are under lien as collateral in respect of above guarantees (refer note 10). Guarantees includes an amount of AED 7.5 million (2011: AED 7.5 million) favoring the Ministry of Economy.

Contingent liabilities

The Company, in common with other insurance companies, is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Company in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

20. Segment information

Operating segment information

For management purposes the Company is organised into two operating segments, general insurance and life assurance. These segments are the basis on which Company reports its primary segment information

	General insurance		Life assurance		Total	
	2012	2011	2012	2011	2012	2011
	AED	AED	AED	AED	AED	AED
UNDERWRITING INCOME						
Gross written premium	325,560,405	321,663,346	123,404,000	113,766,363	448,964,405	435,429,709
Reinsurance ceded and UPR	(98,078,695)	(98,662,479)	(51,471,478)	(88,554,550)	(149,550,173)	(187,217,029)
Net earned premium	227,481,710	223,000,867	71,932,522	25,211,813	299,414,232	248,212,680
Change in unearned premium reserve and payable					-	
to policyholders of unit linked products	2,418,785	11,056,757	(39,992,694)	(1,493,826)	(37,573,909)	9,562,931
Reinsurance commission Income	22,390,814	25,186,346	14,437,273	15,639,779	36,828,087	40,826,125
Total income	252,291,309	259,243,970	46,377,101	39,357,766	298,668,410	298,601,736
UNDERWRITING EXPENSES						
Net claims incurred	(182,206,200)	(197,817,435)	(15,473,050)	(10,417,081)	(197,679,250)	(208,234,516)
Commission paid	(23,715,184)	(26,068,095)	(3,425,556)	(3,788,797)	(27,140,740)	(29,856,892)
Administrative and general Expenses	(26,455,130)	(27,473,943)	(9,628,485)	(4,476,138)	(36,083,615)	(31,950,081)
Total expenses	(232,376,514)	(251,359,473)	(28,527,091)	(18,682,016)	(260,903,605)	(270,041,489)
Profit before movement in life assurance fund	19,914,795	7,884,497	17,850,010	20,675,750	37,764,805	28,560,247
Increase in life assurance fund		-	(1,979,721)	(4,350,041)	(1,979,721)	(4,350,041)
Increase in fair value of investment held for unit linked products	-	-	475,295	-	475,295	-
Underwriting profit	19,914,795	7,884,497	16,345,584	16,325,709	36,260,379	24,210,206
Profit / (loss) from investments, interest and rental income					16,852,367	8,859,642
Unallocated expenses					(6,712,351)	(4,749,446)
Profit for the year					46,400,395	28,320,402

Segmental information based on assets and liabilities is not presented due to unavailability.

21. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding after adjusting for the issue of bonus shares during the year as set out below:

	2012 AED	2011 AED
Net profit for the year	46,400,395	28,320,402
Weighted average number of shares outstanding during the year (after adjusting for issue of bonus shares)	149,954,112	149,954,112
Basic earnings per share	0.31	0.19

There is no dilution effect to the basic earning per share

22. Payable to policyholders of unit linked products - at FVTPL

During the period the Company acquired an insurance portfolio of unit linked policies from AVIVA Limited.

Movement during the period :

	2012 AED	2011 AED
Balance at the time of acquisition	32,990,242	-
Amount invested by policyholders	12,716,822	-
Amount withdrawn at redemption on lapse / surrender by policyholder	(7,052,029)	-
Change in fair value	475,295	-
At 31 December	39,130,330	-

23. Comparative figures

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the financial statements.

The Company has adopted IFRS 9 Financial Instruments (IFRS 9) in 2011 in advance of its effective date. The Company had chosen 1 January 2011 as its date of initial application and had applied this standard retrospectively.