**OMAN INSURANCE COMPANY P.S.C.
AND SUBSIDIARIES**

**Consolidated financial statements and
independent auditor's report
for the year ended 31 December 2012**

OMAN INSURANCE COMPANY P.S.C. AND SUBSIDIARIES

Contents **Pages**

Deloitte.

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

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

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Oman Insurance Company P.S.C.
Dubai
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Oman Insurance Company P.S.C. (the "Company") and its Subsidiaries (together the "Group"), Dubai, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Cont'd...

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INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Oman Insurance Company P.S.C. (the "Company") and its Subsidiaries (together the "Group"), Dubai, United Arab Emirates** as at 31 December 2012, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Also, in our opinion, the Company has maintained proper books of account. The information included in the Directors' report relating to the consolidated financial statements is in agreement with the books. We have obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended), the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations or the Articles of Association of the Company which might have a material effect on the financial position of the Company or its financial performance.

Deloitte & Touche (M.E.)

Samir Madbak
Registration Number 386
26 February 2013

Consolidated statement of financial position
At 31 December 2012

	Notes	2012 AED'000	2011 AED'000
ASSETS			
Property and equipment	5	23,153	131,614
Investment properties	6	361,244	315,778
Goodwill	7	26,588	-
Financial investments	8	1,189,952	1,453,020
Statutory deposits	9	23,538	23,538
Reinsurance contract assets	10	1,065,852	972,244
Insurance receivables	11	950,073	913,888
Prepayments and other receivables	12	91,841	96,580
Bank balances and cash	13	879,701	679,958
Total assets		4,611,942	4,586,620
EQUITY AND LIABILITIES			
Equity			
Share capital	14	461,872	419,884
Reserves	15	1,300,714	1,228,624
Cumulative changes in fair value of securities		(349,235)	(548,765)
Foreign currency translation reserve		28	-
Retained earnings		172,295	374,157
Equity attributable to Owners of the Company		1,585,674	1,473,900
Non-controlling interests		3,206	-
Total equity		1,588,880	1,473,900
Liabilities			
End of service benefits	16	34,180	39,146
Bank borrowings	17	128,520	388,769
Insurance contract liabilities	10	2,294,749	1,945,112
Re-insurance deposits retained		126,650	141,166
Insurance payables	18.1	361,082	492,934
Other payables	18.2	77,881	105,593
Total liabilities		3,023,062	3,112,720
Total equity and liabilities		4,611,942	4,586,620

Abdul Aziz Abdulla Al Ghurair
Chairman

Patrick Choffel
Chief Executive Officer

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

Consolidated income statement
for the year ended 31 December 2012

	Notes	2012 AED'000	2011 AED'000
Gross insurance premium revenue	25.1	2,443,262	2,341,627
Less: Insurance premium ceded to reinsurers	25.1	(1,287,739)	(1,166,078)
Net retained revenue		1,155,523	1,175,549
Net change in unearned premium	25.1	54,950	43,465
Net insurance premium revenue		1,210,473	1,219,014
Gross claims settled	25.2	(1,246,930)	(1,055,580)
Insurance claims recovered from reinsurers	25.2	587,333	545,206
Net claims settled		(659,597)	(510,374)
Net change in outstanding claims and additional reserves		4,816	(52,360)
Net claims incurred		(654,781)	(562,734)
Excess of loss reinsurance premium		(49,524)	(44,191)
Policies surrendered and maturities paid		(26,745)	(25,925)
Reinsurance commission income		173,864	141,558
Commission expenses		(195,088)	(218,600)
Insurance business fees		(8,853)	(8,606)
General and administrative expenses relating to underwriting activities		(226,040)	(183,312)
Other income relating to underwriting activities		35,695	30,477
		(296,691)	(308,599)

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

Consolidated income statement (continued)
for the year ended 31 December 2012

	Notes	2012 AED'000	2011 AED'000
Underwriting profit before movements in life assurance fund		**259,001**	347,681
Increase in life assurance fund	10.2	**(70,756)**	(12,073)
Net underwriting profit		**188,245**	335,608
Net investment income/(loss)	19	**36,191**	(8,304)
Finance costs		**(18,548)**	(34,137)
Impairment of property and equipment	5	**-**	(138,287)
Other expenses – net	20	**(16,932)**	(46,722)
Profit before tax		**188,956**	108,158
Income tax expenses		**(1,614)**	-
Profit for the year	21	**187,342**	108,158
Attributable to:			
Owners of the Company		**203,575**	108,158
Non-controlling interests		**(16,233)**	-
		187,342	108,158
Basic earnings per share	22	**AED 0.44**	AED 0.23

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

Consolidated statement of comprehensive income
for the year ended 31 December 2012

	2012 AED '000	2011 AED '000
Profit for the year	**187,342**	108,158
Other comprehensive loss		
Net fair value losses on revaluation of investments designated at FVTOCI	**(64,359)**	(82,688)
(Loss)/gain on sale of investments at FVTOCI	**(27,470)**	589
Exchange gain on translation of foreign operations	**54**	-
Total other comprehensive loss	**(91,775)**	(82,099)
Total comprehensive income for the year	**95,567**	26,059
Total comprehensive income attributable to:		
Owners of the Company	**111,774**	26,059
Non-controlling interests	**(16,207)**	-
	95,567	26,059

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

Consolidated statement of changes in equity
for the year ended 31 December 2012

	Share capital AED '000	Reserves AED '000	Cumulative changes in fair value of securities AED '000	Foreign currency translation reserve AED '000	Retained earnings AED '000	Equity attributable to Owners of the Company AED '000	Non-Controlling interests AED '000	Total AED '000
Balance at 1 January 2011	419,884	1,189,648	(470,577)	-	308,886	1,447,841	-	1,447,841
Profit for the year	-	-	-	-	108,158	108,158	-	108,158
Other comprehensive loss for the year	-	-	(82,688)	-	589	(82,099)	-	(82,099)
Total comprehensive income for the Year	-	-	(82,688)	-	108,747	26,059	-	26,059
Transfer to statutory reserve	-	10,816	-	-	(10,816)	-	-	-
Transfer to general reserve	-	27,040	-		(27,040)	-	-	-
Transfer to contingency reserve	-	1,120	-	-	(1,120)	-	-	-
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	4,500	-	(4,500)	-	-	-
Balance at 31 December 2011	419,884	1,228,624	(548,765)	-	374,157	1,473,900	-	1,473,900
Non-controlling interests arising on acquisition of a subsidiary (Note 7)	-	-	-	-	-	-	(25,545)	(25,545)
Profit for the year	-	-	-	-	203,575	203,575	(16,233)	187,342
Other comprehensive loss for the year	-	-	(64,359)	28	(27,470)	(91,801)	26	(91,775)
Total comprehensive income for the Year	-	-	(64,359)	28	176,105	111,774	(16,207)	95,567
Transfer to statutory reserve	-	20,357	-	-	(20,357)	-	-	-
Transfer to general reserve	-	50,893	-	-	(50,893)	-	-	-
Transfer to contingency reserve	-	840	-	-	(840)	-	-	-
Additional contribution attributable to non-controlling interests	-	-	-	-	-	-	44,958	44,958
Issue of bonus shares (Note 14)	41,988	-	-	-	(41,988)	-	-	-
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	263,889	-	(263,889)	-	-	-
Balance at 31 December 2012	**461,872**	**1,300,714**	**(349,235)**	**28**	**172,295**	**1,585,674**	**3,206**	**1,588,880**

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

Consolidated statement of cash flows
for the year ended 31 December 2012

	2012	2011
	AED'000	AED'000
Cash flows from operating activities		
Profit for the year	**187,342**	108,158
Adjustments for:		
Depreciation of property and equipment	**11,759**	10,357
Property and equipment written off	**-**	3,788
Unrealised loss on investment properties	**60,568**	61,187
Unrealised (gains)/losses on financial investments at FVTPL	**(44,988)**	28,087
Impairment of property and equipment	**-**	138,287
Provision for end of service benefits	**3,953**	4,361
Allowance for doubtful receivables	**6,558**	34,877
Dividends income from financial investments at FVTPL and FVTOCI	**(43,061)**	(39,449)
Interest income from deposits and financial investments at FVTPL	**(22,081)**	(23,263)
Realised (gains)/losses on sale of financial investments at FVTPL	**(3,946)**	119
Finance costs	**18,548**	34,137
Operating cash flows before changes in operating assets and liabilities	**174,652**	360,646
(Increase)/decrease in reinsurance contract assets	**(78,641)**	39,268
Decrease/(increase) in insurance and other receivables	**21,404**	(85,285)
Increase in insurance contract liabilities	**172,823**	37,012
Decrease in insurance and other payables	**(182,369)**	(6,588)
(Decrease)/increase in reinsurance deposits retained	**(14,516)**	1,069
Net cash generated from operations	**93,353**	346,122
End of service benefits paid	**(8,919)**	(5,917)
Finance costs paid	**(20,584)**	(33,339)
Net cash generated from operating activities	**63,850**	306,866

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

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

	2012 AED'000	2011 AED'000
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	**(11,323)**	(13,315)
Proceeds from sale of financial investments at FVTOCI	**546,697**	10,721
Purchases of financial investments at FVTPL	**(479,370)**	(165,579)
Proceeds from sale of financial investments at FVTPL	**209,666**	60,372
Purchases of financial investments at at amortised cost	**(45,497)**	-
Net cash inflow on acquisition of a subsidiary	**71,930**	-
Dividends income from financial investments at FVTPL and FVTOCI	**43,061**	39,449
Interest income from deposits and financial investments at FVTPL	**22,566**	22,976
Purchase of property and equipment	**(6,492)**	(6,587)
Purchase of investment properties	**(108)**	(35,715)
Increase in term deposits maturing after 3 months	**149,267**	(32,328)
Net cash generated from/(used in) investing activities	**500,397**	(120,006)
Cash flows from financing activities		
Additional contribution by non-controlling interests	**44,958**	**-**
Decrease in bank borrowings	**(250,000)**	(203,119)
Net cash used in financing activities	**(205,042)**	(203,119)
Net increase/(decrease) in cash and cash equivalents	**359,205**	(16,259)
Cash and cash equivalents at the beginning of the year	**47,130**	63,389
Effects of exchange rate changes on the balances of cash held in foreign currency	**54**	-
Cash and cash equivalents at the end of the year (note 13)	**406,389**	47,130

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

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

1. General information

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

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

The Company operates in Oman and Qatar through other arrangements.

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

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

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

- Amendments to IFRS 1 *Removal of Fixed Dates for First-Time Adopter.*

The amendments regarding the removal of the fixed dates provide the relief to the first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 July 2011 with retrospective application.

- Amendments to IFRS 1 *Severe Hyperinflation*

The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for first time. The amendments are effective for annual periods beginning on or after 1 July 2011 with retrospective application.

- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 Investment Property by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The amendments are effective for annual periods beginning on or after 1 January 2012 with retrospective application.

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

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

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

- Amendments to IFRS 7 *Disclosures Transfers of Financial Assets*

The amendments increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The amendments are effective for annual periods beginning on or after 1 July 2011. Entities need not provide the disclosures required by the amendments for any period presented that begins before the date of the initial application of the amendments.

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 1 *Government Loans* provide relief to first-time adopters of IFRSs by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* to government loans outstanding at the date of transition to IFRSs.	1 January 2013
• Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.	1 January 2013
• IFRS 10 *Consolidated Financial Statements** uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly, IAS 27 *Separate Financial Statements** and IAS 28 *Investments in Associates and Joint Ventures** have been amended for the issuance of IFRS 10.	1 January 2013

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

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

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued):

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 11 *Joint Arrangements** establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly, IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.	1 January 2013
• IFRS 12 *Disclosure of Interests in Other Entities** combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard.	1 January 2013
• IFRS 13 *Fair Value Measurement* issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.	1 January 2013
• Amendments to IAS 1 – *Presentation of Other Comprehensive Income*. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	1 July 2012
• Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur.	1 January 2013
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.*	1 January 2013

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

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued):

New and revised IFRSs	Effective for annual periods beginning on or after
• Annual Improvements to *IFRSs 2009 – 2011 Cycle* The annual improvements include the amendments to five IFRSs which have been summarized below: ▪ IFRS 1 First Time Adoption of International Financial Reporting Standards – Repeated application of IFRS 1. ▪ IFRS 1 First Time Adoption of International Financial Reporting Standards – Borrowing costs. ▪ IAS 1 *Presentation of Financial Statements* – Clarification of the requirements for comparative information. ▪ IAS 16 *Property, Plant and Equipment* – Classification of serving equipment. ▪ IAS 32 *Financial Instruments: Presentation* - Tax effect of the distribution to the holders of equity instruments. ▪ *IAS 34 Interim Financial Reporting* - Interim financial reporting and segment information for total assets and liabilities.	1 January 2013
• Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities On 31 October 2012, the IASB published a final standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The amendments establish an exception to IFRS 10's general consolidation principle for investment entities, requiring them to "measure particular subsidiaries at fair value through profit or loss, rather than consolidate them." In addition, the amendments outline required disclosures for reporting entities that meet the definition of an investment entity.	1 January 2014

*In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time. These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2013 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Group in the period of initial application.

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

3. Summary of significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates (U.A.E.) Federal Law No. 8 of 1984 (as amended) and United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that have been measured at revalued amounts, amortised cost or fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Group presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements of Oman Insurance P.S.C. and Subsidiaries (the “Group”) incorporate the financial statements of the Company and the entities controlled by the Company (its Subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses and profits and losses resulting from the intra-company transactions are eliminated in full on consolidation.

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

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

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

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Details of the Company's subsidiaries at 31 December 2012 are as follows:

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

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

Dubai Group Sigorta A.Ş was acquired in the current year (Note 7).

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3. Summary of significant accounting policies (continued)

3.4 Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.5 Goodwill

Goodwill arising on an acquisistion of a business is carried at cost as established at the date of acquisition of the businss (see note 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

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

3. Summary of significant accounting policies (continued)

3.6 Insurance contracts

3.6.1 Product classification

Insurance contracts are those contracts when the Group (the insurer) has accepted the significant insurance risk from another party (policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. An insurance contract can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price 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.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the reminder of its lifetime even if the insurance risk reduces significantly during this period unless all rights and obligations are extinguished or expire. An investment contract can however be classified as an insurance contract after its inception if the insurance risk becomes significant.

Some insurance contracts and investment contracts contain discretionary participating features (DPF) which entitle the contract holder to receive, as a supplement to the standard guaranteed benefits, additional benefits;

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the insurer;
- that are contractually based on;
  (i) the performance of a specified pool of contracts or a specified type of contract,
  (ii) realised/unrealised investment returns on a specified pool of assets held by the issuer or,
  (iii) the profit or loss of the Company, fund or other entity that issues that contract.

Under IFRS 4, DPF can be either treated as an element of equity or as a liability, or can be split between the two elements. The Group policy is to treat all DPF as a liability within insurance or investment contract liabilities.

The policyholder bears the financial risks relating to some insurance contracts or investment contracts. Such products are usually unit-linked contracts.

3.6.2 Recognition and measurement

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

These contracts are general insurance contracts and life assurance contracts.

3. Summary of significant accounting policies (continued)

3.6 Insurance contracts (continued)

3.6.3 General insurance contracts

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown in the profit and loss before deduction of commission.

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

3.6.4 Life assurance contracts

In respect of the short term life assurance contracts, premiums are recognised as revenue (earned premiums) proportionately over the period of coverage. The portion of the premium received in respect of in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before the deduction of the commission.

In respect of long term life assurance contracts, premium are recognised as revenue (earned premiums) when they become payable by the contract holder. Premiums are shown before deduction of commission.

Premiums for group credit life policies are recognised when it is paid by the contract holder.

A liability for contractual benefits that are expected to be incurred in future is recorded when the premiums are recognised. The liability is based on the assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

Where a life assurance contract has a single premium or limited number of premium payments due over a significantly shorter period than the period during which the benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contract in-force or for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at the end of each reporting period using the assumptions established at the inception of the contract.

Claims and benefits payable to contract holders are recorded as expenses when they are incurred.

3.6.5 Reinsurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are recognised as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer, are included in insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance contract assets.

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

3. Summary of significant accounting policies (continued)

3.6 Insurance contracts (continued)

3.6.5 Reinsurance contracts (continued)

The Group assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract assets are impaired, the Group reduces the carrying amount of the reinsurance contract assets to their recoverable amounts and recognises that impairment loss in the profit or loss. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as expenses when due.

The Group also assumes reinsurance risk in the normal course of business for life insurance and general insurance contracts where applicable. Premium and claims on assumed reinsurance contracts are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3.6.6 Insurance contract liabilities

3.6.6.1 Unearned premium reserve

At the end of the reporting period, a proportion of net retained premiums of the general insurance, medical and life business is provided to cover portions of risks which have not expired. The reserves are calculated in accordance with regulations relating to insurance companies at 40% of annual premiums earned net of reinsurance for all classes of insurance except marine which is calculated at 25% and medical and life business which is calculated on a time proportion basis.

3.6.6.2 Additional reserve

A provision is made for the estimated excess of potential claims over unearned premiums, as well as for claims incurred but not reported at the end of the reporting period and for potential shortfall in the unearned premium reserve due to the use of 40% basis for computing unearned premium for general insurance except marine.

The reserves represent the management's best estimates on the basis of:

a) claims reported during the year;
b) delay in reporting these claims;
c) shortfall in the unearned premium reserve by reference to $1/8^{th}$ method, where majority of policies are issued for one year, except marine class of business. $1/8^{th}$ is the method whereby the unearned premium liability shall equal 1/8 of the gross written premiums relating to policies commencing in the first quarter of the financial year, 3/8 of the gross written premiums relating to policies commencing in the second quarter of the financial year, 5/8 of the gross written premiums relating to policies commencing in the third quarter of the financial year and 7/8 of the gross written premiums relating to policies commencing in the fourth quarter of the financial year.

3. Summary of significant accounting policies (continued)

3.6 Insurance contracts (continued)

3.6.6.3 Life assurance fund

The life assurance fund is determined by independent actuarial valuation of future policy benefits at the end of each reporting period. 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 and industry mortality tables. Adjustments to the balance of the fund are effected by charging to profit or loss.

3.6.6.4 Unit linked liabilities

For unit linked policies, liability is equal to the policy account values. The account value is the number of units times the bid price.

3.6.6.5 Outstanding claims

Insurance contract liabilities towards outstanding claims are recognised for all claims intimated and unpaid at the end of the reporting period. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when it is expired, discharged or cancelled.

3.6.7 Policy acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new insurance contracts and renewing existing insurance contracts are recognised as expenses when incurred.

Acquisition costs incurred in securing long term investments contracts are deferred and amortised over a period of four years.

3.6.8 Salvage and subrogation reimbursements

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

3.6.9 Liability adequacy test

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

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

3. Summary of significant accounting policies (continued)

3.6 Insurance contracts (continued)

3.6.10 Receivables and payables related to insurance contracts

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

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

3.7 Revenue recognition

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

3.7.1 Revenue from insurance contracts

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these consolidated financial statements (see note 3.6).

3.7.2 Commission income

Commission income is recognised when the reinsurance premium is ceded based on the terms and percentages agreed with the reinsurers.

3.7.3 Dividend income

Dividend income is recognised when the Group’s right to receive the payment has been established.

3.7.4 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

3.8 General and administrative expenses

Direct expenses are charged to the respective departmental revenue accounts. Indirect expenses are allocated to departmental revenue accounts on the basis of gross written premiums of each department. Other administration expenses are charged to profit or loss as unallocated general and administrative expenses.

3.9 Income tax

Taxation is provided for in accordance with fiscal regulations of Oman, Qatar and Turkey.

3. Summary of significant accounting policies (continued)

3.9 Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the end of the reporting period.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

3.10 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United Arab Emirates Dirhams ("AED"), using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

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

3. Summary of significant accounting policies (continued)

3.10 Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in the equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each period. Exchange differences arising are recognized in other comprehensive income and accumulated in equity.

3.11 Property and equipment

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

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The useful lives considered in the calculation of depreciation for the assets are as follows:

	Years
Furniture and equipments	3 - 5
Motor vehicles	5

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

3. Summary of significant accounting policies (continued)

3.12 Investment properties

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

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

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

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

3.13 Impairment of non-financial assets

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

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

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

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

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

3. Summary of significant accounting policies (continued)

3.14 Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.15 Employee benefits

3.15.1 Defined contribution plan

UAE national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the “contribution calculation salary” of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the “contribution calculation salary” respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

3.15.2 Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

3.15.3 Provision for employees’ end of service benefits

Provision is made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period. Provisions for employees’ end of service indemnity for the employees working with the entities domiciled in other countries are made in accordance with local laws and regulations applicable to each entity.

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Summary of significant accounting policies (continued)

3.17 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group has no finance leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.18 Financial instruments

3.18.1 Recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss (FVTPL) are recognised immediately in profit or loss.

A financial asset and financial liability is offset and the net amount is reported in the consolidated financial statements only when there is legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or realise the assets and settle the liabilities simultaneously.

3.19 Financial assets

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

3.19.1 Classification of financial assets

For the purposes of classifying financial assets, an instrument is an ‘equity instrument’ if it is a non-derivative and meets the definition of ‘equity’ for the issuer (under IAS 32 Financial Instruments: Presentation) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are ‘debt instruments’.

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

3. Summary of significant accounting policies (continued)

3.19 Financial assets (continued)

3.19.2 Financial assets at amortised cost and the effective interest method

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

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

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see 3.19.6 below), with interest revenue recognised on an effective yield basis in investment income (note 3.7.4).

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

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

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

3.19.2.1 Cash and cash equivalents

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

3.19.2.2 Insurance receivables, other receivables and statutory deposits

Insurance receivables, other receivables and statutory deposits are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short- term receivables when the recognition of interest would be immaterial.

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

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

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

3. Summary of significant accounting policies (continued)

3.19 Financial assets (continued)

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments, but reclassified to retained earnings.

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

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

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

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

Investment linked components of insurance contracts are classified as at FVTPL. Any gains or losses arising on remeasurement of these assets and equivalent movements in reserves attributable to policyholders are offset within the same line in the consolidated income statement.

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 30.2.

3. Summary of significant accounting policies (continued)

3.19 Financial assets (continued)

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

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

3.19.5 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

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

3.19.6 Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

3. Summary of significant accounting policies (continued)

3.19 Financial assets (continued)

3.19.6 Impairment of financial assets (continued)

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

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

3.19.7 Derecognition of financial assets

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

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

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

3.20 Financial liabilities and equity instruments issued by the Group

3.20.1 Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.21 Equity instruments

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

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

3. Summary of significant accounting policies (continued)

3.22 Financial liabilities

All financial liabilities are initially measured at fair value net of transactions costs except financial liabilities at fair value through profit or loss (FVTPL) which are initially measured at fair value. All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. The Group does not have any financial liabilities measured at FVTPL.

3.22.1 Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of the reporting period. The Group's financial liabilities measured at amortised costs include bank borrowings, reinsurance deposits retained, insurance payables, trade and other payables excluding the advances to suppliers.

The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method with interest expense that is not capitalised as part of the cost of an asset, is recognised in profit or loss except for short term payables where the recognition of interest would be immaterial.

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

3.22.2 Foreign exchange gains and losses

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

3.22.3 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.23 Dividend distribution

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

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

In the application of the Group’s accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Classification of investments

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

4.1.2 Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

4.1.3 Consolidation of the Qatar Operations

The Company established operations in Qatar on 6 January 2008 through an agency agreement entered into with the local sponsor valid for an indefinite period. The results and the financial position of the operations are consolidated in these consolidated financial statements on the basis of the control as the operations is managed and supervised by the Company from the inception to date. At the end of the each reporting period, management assesses the Company’s ability to manage and supervise the financial and operating policies of the Qatar Operations for the benefits of the Company and determines if the results and financial position be consolidated with the Company. Based on such assessment, the Company continues to consolidate the results and financial position of the operations in the consolidated financial statements of the Group as at 31 December 2012 and for the year then ended. If the assumptions and judgments made by management in making this decision change in future, significant adjustments may be required for these consolidated financial statements for the results and financial position of the operations consolidated thereof.

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

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 The ultimate liability arising from claims made under insurance contracts

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

4.2.2 Impairment of insurance receivables

An estimate of the collectible amounts of insurance receivable is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired entails the management's evaluation of the specific credit and liquidity position of the contract holders and their historical recovery rates including detailed reviews carried out during 2012 and feedback received from the legal department. Based on this estimate, an impairment loss of AED 6,558 thousand (2011: AED 37,565 thousand) has been recognised in the current year.

4.2.3 Liability adequacy test

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

4.2.4 Actuarial valuation of life assurance fund

Mortality and withdrawal rate assumptions used in actuarial valuation of life fund are based on experience and the most current industry standard mortality table.

4.2.5 Additional reserve

The Group, based on the past experience, uses the $1/8^{th}$ method to assess the potential shortfall in unearned premium reserve, except for the marine class of business where an additional reserve calculation for unearned premium is not performed.

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

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

4.2 Key sources of estimation uncertainty (continued)

4.2.6 Valuation of unquoted equity instruments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using expected cash flows discounted at current rates for similar instruments or other valuation models.

4.2.7 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. Estimating the value-in-use required the Group to make an estimate of the expected future cash flows from each cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4.2.7.1 Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to cash generating units for impairment testing as follows:

	2012 **AED'000**	2011 AED'000
Dubai Group Sigorta A.Ş.	**26,588**	-

Management has carried out an impairment test for goodwill at the year end and has concluded that no impairment has taken place. For this purpose, the recoverable amount of each cash generating unit has been determined based on a value-in-use calculation using cash flow projections, based on financial budgets approved by senior management, covering a five year period. Cash flows beyond the five-year period are extrapolated using a growth rate, which management believes approximates the long term growth rate for the industry in which the cash generating unit operates.

4.2.7.2 Key assumption used for the calculation of value-in-use

The calculation of value-in-use is sensitive to the following assumptions:

a. Growth rate

Growth rates are based on the management's assessment of the market share having regard to the forecasted growth and demand for the products offered. Growth rates of 20% - 25% per annum have been applied in the calculation.

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

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

4.2 Key sources of estimation uncertainty (continued)

4.2.7.2 Key assumption used for the calculation of value in use (continued)

b. Net profit margins

Net profit margins are based on the management's assessment of achieving a stabilized level of performance based on the approved business plan of the cash generating unit for the next five years.

c. Discount rates

Management has used the discount rate of 10% per annum throughout the assessment period, reflecting the estimated weighted average cost of capital of the Group and specific market risk profile.

5. Property and equipment

	Furniture and equipments AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost				
Balance at 31 December 2010	66,781	941	334,960	402,682
Additions	2,916	-	3,671	6,587
Transfers	7,034	-	(7,034)	-
Written off	-	-	(3,788)	(3,788)
Balance at 31 December 2011	76,731	941	327,809	405,481
Additions	4,358	-	2,134	6,492
Transfer to investment property (Note 6)	-	-	(327,213)	(327,213)
Acquisition through business combination	2,732	-	-	2,732
Balance at 31 December 2012	**83,821**	**941**	**2,730**	**87,492**
Accumulated depreciation and impairment				
Balance at 31 December 2010	41,690	533	83,000	125,223
Charge for the year	10,184	173	-	10,357
Impairment loss recognised	-	-	138,287	138,287
Balance at 31 December 2011	51,874	706	221,287	273,867
Charge for the year	11,599	160	-	11,759
Transfer to investment property (Note 6)	-	-	(221,287)	(221,287)
Balance at 31 December 2012	**63,473**	**866**	**-**	**64,339**
Carrying amounts				
Balance at 31 December 2012	**20,348**	**75**	**2,730**	**23,153**
Balance at 31 December 2011	24,857	235	106,522	131,614

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

6. Investment properties

	2012 AED'000	2011 AED'000
Balance at the beginning of the year	**315,778**	341,250
Additions during the year	**108**	35,715
Transfer from property and equipment (Note 5)	**105,926**	-
Decrease in fair value during the year	**(60,568)**	(61,187)
Balance at the end of the year	**361,244**	315,778

Investment properties include land, building and advances paid on contracts for purchase of investment properties.

Investment properties, comprising land and building, are stated at fair value, which has been principally determined based on recent valuations performed by independent valuers. Fair value represents the amounts at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of the valuation. Valuations are performed on a periodic basis, at least annually, and the fair value gains and losses are recorded on the profit or loss.

Advances paid on contracts for purchase of investment properties under construction are carried at fair value based on the management's best estimate.

Freehold land with a fair value of AED 105,926 thousand has been transferred to investment property during the year. The Company's initial intention was to construct a mixed use development on the site with a significant element of the development being owner occupied. During the current year, the management has withdrawn this proposition and decided to reclassify the property to investment property, as the property is expected to be used to earn rentals or capital appreciation in the future.

Investment properties amounting to AED 50,020 thousand (2011: AED 48,009 thousand) are registered in the name of third parties in trust and for the benefit of the Group.

Investment properties are located in the U.A.E.

7. Acquisition of a subsidiary

On 13 August 2012, the Group acquired a 51% interest in Dubai Group Sigorta A.Ş., a company established and registered in Istanbul, Turkey. Dubai Group Sigorta A.Ş. is engaged in the business of issuing short term and long term insurance contracts relating to general insurance. Dubai Group Sigorta A.Ş. was acquired by the Company with the objective of improving its overall geographical spread.

The consolidated financial statements include the results of Dubai Group Sigorta A.Ş from the acquisition date to the year ended 31 December 2012.

7.1 Consideration transferred

A nominal amount of AED 1 has been paid as purchase consideration to the previous shareholders of Dubai Group Sigorta A.Ş.

7. Acquisition of a subsidiary (continued)

7.2 Assets acquired and liabilities assumed at the date of acquisition

The fair values of the identifiable assets and liabilities of Dubai Group Sigorta A.Ş. as at the date of acquisition were:

	AED '000
Assets	
Property and equipment	**2,732**
Insurance receivables	**42,217**
Other receivables	**17,677**
Reinsurance contract assets	**14,967**
Cash and bank balances	**71,930**
Liabilities	
Insurance contract liabilities	**(176,814)**
Insurance payables	**(11,391)**
Other payables and accruals	**(13,451)**
Net assets acquired	**(52,133)**

The assets and liabilities presented above have been measured by management at their respective carrying values which approximate their fair values at the date of acquisition.

7.3 Non-controlling interests

Non-controlling interests (49%) that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's net assets.

	AED '000
Net assets acquired	**(52,133)**
Proportionate share attributable to non-controlling interests (49%)	**(25,545)**

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

7. Acquisition of a subsidiary (continued)

7.4 Goodwill arising on acquisition

	AED '000
Fair value of identifiable net liabilities acquired	**52,133**
Less: Consideration transferred	**-**
Less: Non-controlling interests (at proportionate share)	**(25,545)**
Goodwill arising on acquisition	**26,588**

7.5 Net cash inflow on acquisition

	AED '000
Consideration paid in cash	**-**
Cash and cash equivalent balances acquired	**71,930**
Net cash inflow from acquisition	**71,930**

7.6 Impact of acquisition on the results of the Group

Included in the profit for the year is a loss of AED 33,128 thousand attributable to the subsidiary, Dubai Group Sigorta A.Ş. Revenue for the period includes AED 50,255 thousand in respect of the subsidiary, Dubai Group Sigorta A.Ş.

Had the acquisition of the subsidiary, Dubai Group Sigorta A.Ş. been effected at 1 January 2012, the revenue of the Group from continuing operations for the year ended 31 December 2012 would have been AED 2,538,255 thousand, and the profit for the year would have been AED 144,710 thousand.

8. Financial investments

8.1 Composition of financial investments

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

	2012 **AED '000**	2011 AED '000
At fair value through profit or loss (note 8.2)	**710,750**	392,112
At fair value through other comprehensive income (note 8.3)	**433,705**	1,060,908
Measured at amortised cost (note 8.4)	**45,497**	-
	1,189,952	1,453,020

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

8. Financial investments (continued)

8.2 Financial investments at fair value through profit or loss

	Domestic		International		Total	
	2012	2011	**2012**	2011	**2012**	2011
	AED '000	AED '000	**AED '000**	AED '000	**AED '000**	AED '000
Structured investments						
- unquoted	**157,504**	9,569	**377,613**	254,397	**535,117**	263,966
Shares – quoted	**-**	35,718	**-**	-	**-**	35,718
Unit linked investments	**-**	-	**175,633**	92,428	**175,633**	92,428
	157,504	45,287	**553,246**	346,825	**710,750**	392,112

FVTPL financial investments with a fair value of AED 155,020 thousand at 31 December 2012 (2011: AED 160,842 thousand) are under lien in respect of guarantees and credit facilities.

8.3 Financial investments at fair value through other comprehensive income

	Domestic		International		Total	
	2012	2011	**2012**	2011	**2012**	2011
	AED '000	AED '000	**AED '000**	AED '000	**AED '000**	AED '000
Shares and mutual funds						
- Quoted	**252,041**	801,541	**14,626**	23,066	**266,667**	824,607
- Unquoted	**119,919**	134,061	**47,119**	102,240	**167,038**	236,301
	371,960	935,602	**61,745**	125,306	**433,705**	1,060,908

Quoted shares with carrying value of AED 29,289 thousand at 31 December 2012 (2011: AED 106,373 thousand) were registered in the name of certain shareholders/directors of the Company and third parties who are holding those shares in trust for the benefit of the Group.

8.4 Financial investments measured at amortised cost

	Domestic		International		Total	
	2012	2011	**2012**	2011	**2012**	2011
	AED '000	AED '000	**AED '000**	AED '000	**AED '000**	AED '000
Investments in bonds						
- Quoted	**-**	-	**45,497**	-	**45,497**	-
	-	-	**45,497**	-	**45,497**	-

These bonds carry interests at the rates of 4.5% to 8% per annum. The Group holds these investments with the objective of receiving the contractual cash flows over the instruments life. The bonds are redeemable at par in 2015 and 2016. The fair value of these bonds at 31 December 2012 is AED 47,315 thousand.

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

8. Financial investments (continued)

8.4 Movement in investments

The movements in investments are as follows:

	Fair value through profit or loss AED'000	Fair value through OCI AED'000	Amortised cost AED'000	Total AED'000
At 1 January 2011	315,111	1,140,413	-	1,455,524
Purchases	165,579	13,315	-	178,894
Disposals	(60,491)	(10,132)	-	(70,623)
Changes in fair value	(28,087)	(82,688)	-	(110,775)
At 31 December 2011	392,112	1,060,908	-	1,453,020
At 1 January 2012	392,112	1,060,908	-	1,453,020
Purchases	479,370	11,323	45,497	536,190
Disposals	(205,720)	(574,167)		(779,887)
Changes in fair value	44,988	(64,359)		(19,371)
At 31 December 2012	**710,750**	**433,705**	**45,497**	**1,189,952**

9. Statutory deposits

	2012 AED '000	2011 AED '000
Bank deposit maintained in accordance with Article 42 of U.A.E. Federal Law No. 6 of 2007	**10,000**	10,000
Amount under lien with Capital Market Authority – Sultanate of Oman	**13,538**	13,538
	23,538	23,538

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

10. Insurance contract liabilities and reinsurance contract assets

	2012 AED '000	2011 AED '000
Insurance liabilities		
- Outstanding claims	**1,102,815**	961,511
- Additional reserve (note 10.1)	**129,055**	125,805
- Life assurance fund (note 10.2)	**172,233**	101,477
- Unearned premiums (note 25.1)	**715,013**	663,891
- Unit linked liabilities (note 10.3)	**175,633**	92,428
	2,294,749	1,945,112
Recoverable from re-insurers		
- Outstanding claims	**726,860**	657,586
- Unearned premiums	**338,992**	314,658
	1,065,852	972,244
Insurance liabilities – net		
- Outstanding claims	**375,955**	303,925
- Additional reserve (note 10.1)	**129,055**	125,805
- Life assurance fund (note 10.2)	**172,233**	101,477
- Unearned premiums (note 25.1)	**376,021**	349,233
- Unit linked liabilities (note 10.3)	**175,633**	92,428
	1,228,897	972,868

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

10. Insurance contract liabilities and reinsurance contract assets (continued)

10.1 Additional reserve

	General Insurance AED '000	Life Assurance AED '000	Total AED '000
1 January 2011	79,250	18,000	97,250
Increase	27,055	1,500	28,555
31 December 2011	106,305	19,500	125,805
Acquisition through business combinations	22,832	-	22,832
(Decrease)/increase	(27,938)	8,356	(19,582)
31 December 2012	**101,199**	**27,856**	**129,055**

10.2 Life assurance fund

1 January 2011	89,404
Increase	12,073
31 December 2011	101,477
Increase	70,756
31 December 2012	**172,233**

10.3 Unit linked liabilities

1 January 2011	37,116
Increase	55,312
31 December 2011	92,428
Increase	83,205
31 December 2012	**175,633**

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

11. Insurance receivables

	2012 AED'000	2011 AED'000
Due from policy holders and brokers	**628,788**	635,123
Less: allowance for doubtful debts	**(60,949)**	(59,494)
Net due from policy holders and brokers	**567,839**	575,629
Due from insurance companies	**80,291**	67,255
Less: allowance for doubtful debts	**(2,200)**	(2,200)
Net due from insurance companies	**78,091**	65,055
Due from reinsurance companies	**335,143**	304,204
Less: allowance for doubtful debts	**(31,000)**	(31,000)
Net due from reinsurance companies	**304,143**	273,204
Total insurance receivables	**950,073**	913,888

The average credit period of insurance receivables is 30 to 120 days. No interest is charged on overdue balances and no collateral is taken on insurance receivables.

The Group has adopted a policy of dealing with creditworthy counter parties. Adequate credit assessment is made before accepting an insurance contract from any counter party. The Group does not have any single counter party whose outstanding balance at the end of the period exceeds 5% of the total receivable balance.

Included in the Group's total insurance receivables are balances amounting to AED 348,633 thousand (2011: AED 360,519 thousand) which are past due at the end of the reporting period for which no allowance has been provided for, as there was no significant change in credit quality of these insurance receivables and the amounts are considered recoverable.

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

11. Insurance receivables (continued)

11.1 Ageing of insurance receivables

	2012 AED'000	2011 AED'000
Not past due up to 120 days	**601,440**	553,369
Past due but not impaired		
121 to 180 days	**76,298**	69,818
above 180 days	**272,335**	290,701
Insurance receivables	**950,073**	913,888
Past due and impaired	**94,149**	92,694
Total	**1,044,222**	1,006,582

11.2 Movement in the allowance for doubtful debts

	2012	2011
Balance at beginning of the year	**92,694**	57,855
Impairment losses recognised on receivables during the year	**6,558**	37,565
Amounts written off as uncollectible during the year	**(5,103)**	(38)
Amounts recovered during the year	**-**	(2,688)
Balance at end of the year	**94,149**	92,694

The Group has provided for certain receivables above 365 days based on estimated recoverable amounts, determined after review of specific credit quality of customers and past default experience. In determining the recoverability of an insurance receivable, the Group considers any change in the credit quality of the customer from the date credit was initially granted up to the reporting date. Accordingly, management believes that no further provision is required in excess of the allowance for doubtful debts that has been provided.

12. Prepayments and other receivables

	2012 AED'000	2011 AED'000
Accrued income	**10,460**	12,910
Prepayments	**55,380**	48,867
Staff debtors and advances	**5,883**	4,001
Other receivables	**20,118**	30,802
	91,841	96,580

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

13. Bank balances and cash

	2012 AED '000	2011 AED '000
Deposits with banks with maturity over 3 months	**473,312**	622,579
Deposits with banks maturing within 3 months	**190,436**	-
Current accounts and cash	**215,953**	57,379
Total bank balances and cash	**879,701**	679,958
Less: Bank overdrafts	**-**	(10,249)
Deposit with banks with maturity over 3 months	**(473,312)**	(622,579)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**406,389**	47,130

The interest rate on fixed deposits and call accounts with banks ranges between 1.0% to 2.5% (2011: 2.0% and 3.5%) per annum. Bank balances amounting to AED 658,461 thousand (2011: AED 568,300 thousand) are held in local banks in the United Arab Emirates.

Certain deposits with carrying value of AED 121,692 thousand (2011: AED 238,821 thousand) at 31 December 2012 are subject to lien in respect of guarantees and overdraft facilities.

14. Share capital

	2012 AED'000	2011 AED'000
Authorised, issued and fully paid 461,872,125 shares of AED 1 each (31 December 2011: 419,883,750 shares of AED 1 each)	**461,872**	419,884

At the Annual General Meeting held on 22 March 2012, the Shareholders approved scrip dividends of 10%. The share capital is increased by AED 41,988 thousand as a result thereof.

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

15. Reserves

	Statutory reserve AED '000	Strategic reserve AED '000	General reserve AED '000	Contingency reserve AED '000	Total AED '000
Balance at 1 January 2011	185,532	303,750	698,170	2,196	1,189,648
Transfer from retained earnings	10,816	-	27,040	1,120	38,976
Balance at 31 December 2011	196,348	303,750	725,210	3,316	1,228,624
Transfer from retained earnings	20,357	-	50,893	840	72,090
Balance at 31 December 2012	**216,705**	**303,750**	**776,103**	**4,156**	**1,300,714**

15.1 Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of net profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law.

15.2 Strategic reserve

The strategic reserve may be utilised for any purpose to be determined by a resolution of the Shareholders of the Company at an ordinary general meeting, on the recommendation of the Board of Directors. No transfers have been made to the strategic reserve during the year.

15.3 General reserve

Annual transfers to the general reserve are made at the rate of 25% of the profit less Directors' remuneration for the year. The reserve is freely available for distribution. During the year, the transfer to this reserve was calculated at 25% of the profit as no Directors' remuneration was proposed.

15.4 Contingency reserve

In accordance with Article 10 (bis) (2) (c) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, of Sultanate of Oman,10% of the net outstanding claims at the end of the reporting period is transferred from retained earnings to a contingency reserve until the provision is equal to RO 5 million. In case of insufficient retained earnings or accumulated loss position, the deficit in transfer will be adjusted against retained earnings of future years. The reserves shall not be used without the prior approval of the Capital Market Authority of Sultanate of Oman.

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

16. End of service benefits

	2012 AED'000	2011 AED'000
Balance at the beginning of the year	**39,146**	40,702
Charge for the year	**3,953**	4,361
Paid during the year	**(8,919)**	(5,917)
Balance at the end of the year	**34,180**	39,146

17. Bank borrowings

	2012 AED'000	2011 AED'000
Long term loan	**128,520**	378,520
Bank overdraft	**-**	10,249
	128,520	388,769

Long term loans include the following:

(a) An amount of AED 45,900 thousand (31 December 2011: AED 45,900 thousand) which carries interest at 1 month LIBOR + 2.25% and is available till the date of the disposal of collateralized investments.

(b) An amount of AED 27,540 thousand (31 December 2011: AED 27,540 thousand) which carries interest at 3 month LIBOR + 2.25% and is available till the date of the disposal of collateralized investments.

(c) Long term loans also include AED 55,080 thousand (31 December 2011: AED 55,080 thousand) which carries interest at 3 month USD LIBOR +2.00% and is repayable at the discretion of the Company and is available till the date of the disposal of collateralized investments managed by the lender. Management expects to repay this loan within two years from 2012.

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

At 31 December 2011, long term loans included an amount of AED 250,000 thousand which carried interest at 3 month EIBOR + 3.5% and was repayable in installments of AED 25,000 thousand on each quarter. This loan was fully settled during the year as agreed with the lending bank.

The bank borrowings are secured by the collateralised financial investments (note 8.2) and assignment of certain bank deposits (note 13) in favor of the banks.

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

18. Insurance and other payables

18.1 Insurance payables

	2012 AED'000	2011 AED'000
Due to policy holders and brokers	**123,186**	131,796
Due to insurance companies	**50,296**	23,583
Due to reinsurance companies	**165,953**	205,151
Premiums collected in advance	**14,509**	82,199
Other insurance payables	**7,138**	50,205
	361,082	492,934

The average credit period is 60 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

18.2 Other payables

	2012 AED'000	2011 AED'000
Accruals for staff costs	**21,180**	28,115
Other payables and accruals	**56,701**	77,478
	77,881	105,593

19. Net investment income/(loss)

	2012 AED '000	2011 AED '000
Dividend income from financial investments at FVTPL	**150**	1,247
Dividend income from financial investments at FVTOCI	**42,911**	38,202
Interest income from financial investments at FVTPL	**10,795**	6,612
Interest income from deposits	**11,286**	16,651
Unrealised losses on investment properties	**(60,568)**	(61,187)
Fair value gains/(losses) on financial investments at FVTPL	**30,801**	(7,193)
Realised gains/(losses) on sale of financial investments at FVTPL	**3,946**	(119)
Rental income from investment properties	**1,209**	-
Other investment expenses	**(4,339)**	(2,517)
	36,191	(8,304)

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

20. Other expenses - net

	2012 AED '000	2011 AED '000
General and administration expenses not allocated	**(16,932)**	(46,779)
Other income	-	57
	(16,932)	(46,722)

21. Profit for the year

Profit for the year is stated after charging:

	2012 AED'000	2011 AED'000
Staff costs	**146,110**	108,545
Depreciation of property and equipment	**11,759**	10,357
Rental costs – operating leases	**22,576**	20,219

22. Basic earnings per share

	2012	2011
Profit for the year attributable to Owners of the Company (AED '000)	**203,575**	108,158
Weighted average number of shares	**461,872,125**	461,872,125
Basic earnings per share AED	**0.44**	0.23

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

The weighted average number of shares at 31 December 2011 has been adjusted to reflect the issue of bonus shares during the year ended 31 December 2012.

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

23. Income tax

23.1 Corporate tax

Foreign operations of the Group are liable for the corporate taxes of the respective jurisdictions at prevailing tax rates. The effective tax rates during the year were 12% to 20%. The corporate taxes are payable on the total income of the foreign operations after making the adjustments for certain disallowable expenses, exempt income and investment and other allowances. During the year, the provision for corporate tax liabilities is made only for the Group's Oman operations as other foreign operating entities have incurred taxable losses.

23.2 Deferred income tax

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Group has not recognised any deferred tax asset as it may not be probable that the deferred tax asset can be offset in the future against taxable income.

24. Related party transactions

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

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

	2012 **AED '000**	2011 AED '000
Cash and bank balances	**403,624**	325,233
Statutory deposits	**10,000**	10,000
Net insurance receivable	**37,293**	32,758
Net insurance payable	**8,011**	2,110
Bank overdraft	**-**	10,249
Long term loans	**-**	250,000

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

24. Related party transactions (continued)

24.2 During the year, the Group entered into the following transactions with related parties:

	2012 AED '000	2011 AED '000
Premiums	**148,812**	142,039
Claims	**71,027**	56,620
Interest expenses	**11,003**	18,073
Commission paid	**4,000**	9,000
Shares purchased	**-**	8,678
Shares sold	**146**	-
Bank borrowings-net	**250,000**	100,000

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

24.3 Compensation of key management personnel

	2012 AED '000	2011 AED '000
Directors' fees	**2,250**	2,100
Salaries and benefits	**2,047**	2,216
End of service benefits	**112**	101
Total compensation paid to the key management personnel	**4,409**	4,417

25. Segment information

For management purposes, the Group is organised into three business segments, general insurance, life insurance including medical and investments. The general insurance segment comprises property, motor, general accident, aviation and marine risks. The life insurance segment includes individual life (participating and non-participating), medical, group life and personal accident as well as investment linked funds. Investment comprises investments (financial and non financial), deposits with banks and cash management for the Group's own accounts.

These segments are the basis on which the Group reports its primary segment information to the Chief Operating Decision Maker.

Segmental information is presented below:

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

25. Segment information (continued)

25.1 Segment revenue

	General Insurance			Life Assurance and Medical			Total		
	Gross AED'000	Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED'000	Net AED'000
Year 2012									
Insurance premium	**1,236,994**	**(666,332)**	**570,662**	**1,206,268**	**(621,407)**	**584,861**	**2,443,262**	**(1,287,739)**	**1,155,523**
Movement in provision for unearned premium	**131,907**	**(16,766)**	**115,141**	**(87,289)**	**27,098**	**(60,191)**	**44,618**	**10,332**	**54,950**
Insurance premium Earned	**1,368,901**	**(683,098)**	**685,803**	**1,118,979**	**(594,309)**	**524,670**	**2,487,880**	**(1,277,407)**	**1,210,473**
Unearned premium as at 31 December 2012	**500,949**	**(239,796)**	**261,153**	**214,064**	**(99,196)**	**114,868**	**715,013**	**(338,992)**	**376,021**
Year 2011									
Insurance premium	1,515,776	(685,095)	830,681	825,851	(480,983)	344,868	2,341,627	(1,166,078)	1,175,549
Movement in provision for unearned premiums	88,300	(52,105)	36,195	6,429	841	7,270	94,729	(51,264)	43,465
Insurance premium Earned	1,604,076	(737,200)	866,876	832,280	(480,142)	352,138	2,436,356	(1,217,342)	1,219,014
Unearned premium as at 31 December 2011	537,116	(242,560)	294,556	126,775	(72,098)	54,677	663,891	(314,658)	349,233

Insurance premium revenue includes AED 168,743 thousand (2011: AED 264,692 thousand) of reinsurance premium accepted.

Insurance premium revenue represents the total income arising from insurance contracts. In accordance with IFRS 9: Financial Instruments, all items of income and expenditure in respect of investment contracts are excluded from the consolidated income statement and are accounted for directly against the liability under these contracts in the consolidated statement of financial position.

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

25. Segment information (continued)

25.2 Segment claims

	General Insurance			Life Assurance and Medical			Total		
	Gross AED'000	Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED' 000	Net AED'000
Year 2012									
Claims settled	**679,481**	**(252,060)**	**427,421**	**567,449**	**(335,273)**	**232,176**	**1,246,930**	**(587,333)**	**659,597**
Changes in provision for outstanding claims	**39,944**	**(50,306)**	**(10,362)**	**41,596**	**(16,468)**	**25,128**	**81,540**	**(66,774)**	**14,766**
Movement in additional Reserves	**(27,938)**	**-**	**(27,938)**	**8,356**	**-**	**8,356**	**(19,582)**	**-**	**(19,582)**
Claims incurred	**691,487**	**(302,366)**	**389,121**	**617,401**	**(351,741)**	**265,660**	**1,308,888**	**(654,107)**	**654,781**
Year 2011									
Claims settled	596,593	(228,029)	368,564	458,987	(317,177)	141,810	1,055,580	(545,206)	510,374
Changes in provision for outstanding claims	19,398	(869)	18,529	16,403	(11,127)	5,276	35,801	(11,996)	23,805
Movement in additional Reserves	27,055	-	27,055	1,500	-	1,500	28,555	-	28,555
Claims incurred	643,046	(228,898)	414,148	476,890	(328,304)	148,586	1,119,936	(557,202)	562,734

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

25. Segment information (continued)

25.3 Segment results

	Year ended 31 December 2012			Year ended 31 December 2011		
	General insurance AED'000	**Life assurance and medical AED'000**	**Total AED'000**	General insurance AED'000	Life assurance and medical AED'000	Total AED'000
Net insurance premium earned	**685,803**	**524,670**	**1,210,473**	866,876	352,138	1,219,014
Net claims incurred	**(389,121)**	**(265,660)**	**(654,781)**	(414,148)	(148,586)	(562,734)
Excess of loss reinsurance premium	**(49,524)**	**-**	**(49,524)**	(44,191)	-	(44,191)
Policies surrendered and maturities paid	**-**	**(26,745)**	**(26,745)**	-	(25,925)	(25,925)
Reinsurance commission income	**125,881**	**47,983**	**173,864**	136,843	4,715	141,558
Commission expenses	**(123,073)**	**(72,015)**	**(195,088)**	(149,063)	(69,537)	(218,600)
General and administrative expenses relating to underwriting activities	**(177,168)**	**(48,872)**	**(226,040)**	(145,816)	(37,496)	(183,312)
Insurance business fees	**(4,568)**	**(4,285)**	**(8,853)**	(5,733)	(2,873)	(8,606)
Other income relating to underwriting activities	**6,506**	**29,189**	**35,695**	6,659	23,818	30,477
	(221,946)	**(74,745)**	**(296,691)**	(201,301)	(107,298)	(308,599)
Underwriting profit before movements in life assurance fund	**74,736**	**184,265**	**259,001**	251,427	96,254	347,681
Increase in life assurance fund	**-**	**(70,756)**	**(70,756)**	-	(12,073)	(12,073)
Net underwriting profit	**74,736**	**113,509**	**188,245**	251,427	84,181	335,608
Net investment income/(loss)			**36,191**			(8,304)
Finance costs			**(18,548)**			(34,137)
Impairment of property and equipment			**-**			(138,287)
Other expenses – net			**(16,932)**			(46,722)
Profit before tax			**188,956**			108,158

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

25. Segment information (continued)

25.3 Segment results (continued)

	Year ended 31 December 2012			Year ended 31 December 2011		
	General insurance AED'000	**Life assurance and medical AED'000**	**Total AED'000**	General insurance AED'000	Life assurance and medical AED'000	Total AED'000
Profit before tax			**188,956**			108,158
Income tax expenses			**(1,614)**			-
Profit for the year			**187,342**			108,158
Attributable to						
Owners of the Company			**203,575**			108,158
Non-controlling interests			**(16,233)**			-
Profit before tax			**187,342**			108,158

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

25. Segment information (continued)

25.4 Segment assets and liabilities

	As at 31 December 2012				As at 31 December 2011			
	General insurance AED'000	**Life assurance and medical AED'000**	**Investments AED'000**	**Total AED'000**	General insurance AED'000	Life assurance and medical AED'000	Investments AED'000	Total AED'000
Segment assets	**1,442,603**	**954,392**	**2,214,947**	**4,611,942**	1,553,120	642,123	2,391,377	4,586,620
Segment liabilities	**1,942,393**	**952,149**	**128,520**	**3,023,062**	2,008,680	725,520	378,520	3,112,720
Capital expenditure	**6,452**	**40**	**108**	**6,600**	4,629	1,958	35,715	42,302
Depreciation	**11,161**	**598**	**-**	**11,759**	10,026	331	-	10,357

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

25. Segment information (continued)

25.5 Geographical information

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

	Gross premium 2012 AED'000	Gross premium 2011 AED'000	**Total assets 2012 AED'000**	Total assets 2011 AED'000
United Arab Emirates	**2,288,712**	2,237,228	**2,139,924**	2,686,876
Other GCC countries	**104,296**	104,399	**351,709**	204,186
Europe	**-**	-	**1,908,786**	1,630,298
Rest of the world	**50,254**	-	**211,523**	65,260
	2,443,262	2,341,627	**4,611,942**	4,586,620

26. Contingent liabilities

	2012 AED'000	2011 AED'000
Bank guarantees	**48,719**	33,970

The above bank guarantees were issued in the normal course of business.

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

27. Commitments

	2012 AED '000	2011 AED '000
Capital/purchase commitments		
Commitments in respect of uncalled subscription of certain shares held as investments	**12,154**	34,892
Commitment in respect of purchase of investment properties	**-**	4,840
	12,154	39,732

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

27 Commitments (continued)

Operating lease commitments

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

	2012	2011
	AED '000	AED '000
Within one year	**7,902**	10,470
Second to fifth year	**6,468**	7,143

28. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

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

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

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

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

28. Insurance risk (continued)

28.1 Frequency and severity of claims

The Group has the right not to renew individual policies, to re-price the risk, to impose deductibles and to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation). Furthermore, the Group's strategy limits the total exposure to any one territory and the exposure to any one industry.

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

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer net insurance losses of a set minimum limit of AED 4,000 thousand in any one event. The Group has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

28.2 Sources of uncertainty in the estimation of future claim payments

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

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

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

28. Insurance risk (continued)

28.2 Sources of uncertainty in the estimation of future claim payments (continued)

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

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

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

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

	Year ended 31 December 2012		Year ended 31 December 2011	
Type of risk	**Gross Loss Ratio**	**Net Loss Ratio**	Gross Loss Ratio	Net Loss Ratio
Life and medical insurance	**55.2%**	**50.6%**	57.3%	42.2%
Non-life insurance	**50.5%**	**56.7%**	40.1%	47.8%

28.3 Process used to decide on assumptions

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

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

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

28. Insurance risk (continued)

28.4 Claims development process

The following table reflects the development of the gross and net outstanding claims of general insurance at the end of each year together with cumulative payments subsequent to the year of accident:

Underwriting year	**Before 2008 AED'000**	**2008 AED'000**	**2009 AED'000**	**2010 AED'000**	**2011 AED'000**	**2012 AED '000**	**Total AED'000**
Estimate of cumulative claims – Gross:							
Accident year	674,947	819,809	930,887	841,518	715,969	612,473	-
One year later	690,680	867,660	1,000,742	857,150	823,368	-	-
Two years later	674,953	855,057	969,903	833,774	-	-	-
Three years later	636,120	850,950	955,155	-	-	-	-
Four years later	556,157	839,330	-	-	-	-	-
Five years later	550,454	-	-	-	-	-	-
Current estimate of cumulative claims	550,454	839,330	955,155	833,774	823,368	612,473	4,614,554
Cumulative payments to date – Gross	(513,504)	(787,963)	(897,529)	(727,724)	(562,773)	(258,815)	(3,748,308)
Total outstanding claims recognised in the consolidated statement of financial position - Gross	**36,950**	**51,367**	**57,626**	**106,050**	**260,595**	**353,658**	**866,246**

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

28. Insurance risk (continued)

28.4 Claims development process (continued)

The following table reflects the development of the gross and net outstanding claims of general insurance at the end of each year together with cumulative payments subsequent to the year of accident:

Underwriting year	**Before 2008 AED'000**	**2008 AED'000**	**2009 AED'000**	**2010 AED'000**	**2011 AED'000**	**2012 AED '000**	**Total AED'000**
Estimate of cumulative claims – Net:							
Accident year	312,667	425,675	424,478	452,663	449,919	335,185	-
One year later	320,836	447,494	462,054	462,486	508,695	-	-
Two years later	313,664	440,715	442,675	449,694	-	-	-
Three years later	292,775	438,134	434,603	-	-	-	-
Four years later	242,526	431,775	-	-	-	-	-
Five years later	239,406	-	-	-	-	-	-
Current estimate of cumulative claims	239,406	431,775	434,603	449,694	508,695	335,185	2,399,358
Cumulative payments to date – Net	(228,473)	(416,577)	(417,554)	(418,317)	(431,593)	(230,550)	(2,143,064)
Total outstanding claims recognised in the consolidated statement of financial position - Net	**10,933**	**15,198**	**17,049**	**31,377**	**77,102**	**104,635**	**256,294**

The above table does not include claims intimated and settled in the same year.

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

28. Insurance risk (continued)

28.5 Concentration of insurance risk

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

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

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

28.6 Sensitivity of underwriting profit

The contribution by the insurance operations to the net profit of the Group is AED 188,245 thousand for the year ended 31 December 2012 (2011: AED 335,608 thousand). The Group does not foresee any adverse change in the contribution of insurance profit due to the following reasons:

- The Group has an overall risk retention level in the region of 47% (2011: 50%) and this is mainly due to low retention levels in Engineering, Fire and Accident lines. However, for other lines of business, the Group is adequately covered by excess of loss reinsurance programs to guard against major financial impact.
- The Group has commission income of AED 173,864 thousand (2011: AED 141,558 thousand) predominantly from the reinsurance placement which remains a comfortable source of income.

Because of low risk retention of 47% (2011: 50%) of the volume of the business and limited exposure in high retention areas such as motor, the Group is comfortable to maintain an overall net loss ratio in the region of 54% (2011: 46%) and does not foresee any serious financial impact in the net underwriting profit.

29. Capital risk management

The Group's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of Its Operations. The Group manages its capital on a basis of 350% - 450% of its minimum regulatory capital position presented in the table below.
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the Shareholders and benefits for other stakeholders; and
- to provide an adequate return to the Shareholders by pricing insurance contracts commensurately with the level of risk.

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

29. Capital risk management (continued)

In the UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

	2012 AED'000	2011 AED'000
Minimum regulatory capital	**100,000**	100,000
Total paid up capital	**461,872**	419,884

The UAE Insurance Authority has issued resolution no. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing insurance firms and AED 250 million for re-insurance firms. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The resolution allows for compliance with the minimum capital requirements up to a period of 3 years until 2012. The Company is in compliance with the minimum capital requirements.

30. Financial instruments

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The risks that the Group primarily faces due to the nature of its investments and underwriting business are interest rate risk, foreign currency risk, and market price risk, credit risk and liquidity risk.

30.1 Significant accounting policies

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

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

30. Financial instruments (continued)

30.2 Categories of financial instruments

	2012 AED'000	2011 AED'000
Financial assets		
Investments designated at FVTOCI	**433,705**	1,060,908
Investments designated at FVTPL	**710,750**	392,112
Financial investments measured at amortised cost	**45,497**	-
Statutory deposits	**23,538**	23,538
Insurance receivables	**950,073**	913,888
Other receivables (excluding prepayments)	**36,461**	47,713
Bank balances and cash	**879,701**	679,958
Total	**3,079,725**	3,118,117
Financial liabilities		
Bank borrowings	**128,520**	388,769
Re-insurance deposits retained	**126,650**	141,166
Insurance payables	**361,082**	492,934
Trade and other payables	**77,881**	105,593
Total	**694,133**	1,128,462

Management considers that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

The fair values of financial assets and financial liabilities are determined as follows;

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

30. Financial instruments (continued)

30.2 Categories of financial instruments (continued)

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

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

At 31 December 2012

Financial assets	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At fair value through profit or loss				
Structured investments	**535,117**	**-**	-	**535,117**
Unit linked investments	**175,633**	**-**	-	**175,633**
	710,750	**-**	-	**710,750**
At fair value through other comprehensive income				
Quoted equity instruments and mutual funds	**266,667**	**-**	**-**	**266,667**
Un-Quoted equity instruments	**-**	**-**	**167,038**	**167,038**
	266,667	**-**	**167,038**	**433,705**
Total	**977,417**	**-**	**167,038**	**1,144,455**

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

30. Financial instruments (continued)

30.2 Categories of financial instruments (continued)

At 31 December 2011

Financial assets	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At fair value through profit or loss				
Structured investments	263,966	-	-	263,966
Equity securities	35,718	-	-	35,718
Unit linked investments	92,428	-	-	92,428
	392,112	-	-	392,112
At fair value through other comprehensive income				
Quoted equity instruments and mutual funds	824,607	-	-	824,607
Un-Quoted equity instruments	-	-	236,301	236,301
	824,607	-	236,301	1,060,908
Total	1,216,719	-	236,301	1,453,020

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

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

	2012 AED'000	2011 AED'000
Balance at the beginning of the year	**236,301**	270,341
Additions during the year	**11,323**	13,315
Disposals during the year	**(44,879)**	(4,803)
Losses recognised in other comprehensive income	**(35,707)**	(42,552)
Balance at the end of the year	**167,038**	236,301

30.3 Market risk management

Market risk is the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

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

30. Financial instruments (continued)

30.3 Market risk management (continued)

30.3.1 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to interest rate risk on its financial investments in bonds and term deposits and bank borrowings that carry both fixed and floating interest rates.

The Group generally manages to minimise the interest rate risk by closely monitoring the market interest rates and investing in those financial assets in which such risk is expected to be minimal.

30.3.2 Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher\lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase by AED 10,939 thousand (2011: AED 5,213 thousand).

30.3.3 Foreign currency risk management

There are no significant exchange rate risks as substantially all monetary assets and monetary liabilities of the Group are denominated in the local currencies of the countries where the Group operates or US Dollars to which local currencies are fixed.

Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations and consequently the Group has not hedged their foreign currency exposure.

30.3.4 Market price risk management

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group is exposed to market price risk with respect to their quoted investments. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Group actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

At the end of the reporting period, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's:

- profit would have increased/decreased by AED 53,512 thousand (2011: AED 29,968 thousand) in the case of the financial investments at fair value through profit or loss.
- other comprehensive income would have increased/decreased by AED 26,667 thousand (2011: AED 82,460 thousand) in the case of the financial investments at fair value through other comprehensive income.

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

30. Financial instruments (continued)

30.3 Market risk management (continued)

30.3.4 Market price risk management (continued)

Method and assumptions for sensitivity analysis;

- The sensitivity analysis has been done based on the exposure to equity price risk as at the end of the reporting period.

- As at the end of the reporting period if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and other comprehensive income has been shown above.

- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

30.4 Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

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

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

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

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition.

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

30. Financial instruments (continued)

30.4 Credit risk management (continued)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are registered banks with sound financial positions.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

30.5 Liquidity risk management

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date. The Group manages the liquidity risk through a risk management framework for the Group's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent and bank facilities, to ensure that funds are available to meet their commitments for liabilities as they fall due.

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The table below summarises the maturity profile of the Group's financial assets and liabilities based on remaining undiscounted contractual obligations including interest receivable and payable.

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

30. Financial instruments (continued)

30.5 Liquidity risk management (continued)

31 December 2012

	Statement of financial position AED'000	Less than 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	No maturity date AED'000	Total AED'000
Financial assets						
At fair value through profit or loss	710,750	-	516,077	310,803	-	826,880
At fair value through OCI	433,705	-	-	-	433,705	433,705
At amortised cost	45,497	-	47,317	-	-	47,317
Insurance receivables	950,073	950,073	-	-	-	950,073
Other receivables (excluding prepayments)	36,461	36,461	-	-	-	36,461
Statutory deposits	23,538	-	24,714	-	-	24,714
Bank balances and cash	879,701	806,132	74,572	9,230	-	889,934
Total financial assets	3,079,725	1,792,666	662,680	320,033	433,705	3,209,084
Financial liabilities						
Bank borrowings	128,520	-	146,192	-	-	146,192
Reinsurance deposits retained	126,650	126,650	-	-	-	126,650
Insurance payables	361,082	361,082	-	-	-	361,082
Trade and other payables	77,881	77,881	-	-	-	77,881
Total financial liabilities	694,133	565,613	146,192	-	-	711,805

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

30. Financial instruments (continued)

30.5 Liquidity risk management (continued)

31 December 2011

	Statement of financial position AED'000	Less than 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	No maturity date AED'000	Total AED'000
Financial assets						
At fair value through profit or loss	392,112	-	197,339	264,937	35,718	497,994
At fair value through OCI	1,060,908	-	-	-	1,060,908	1,060,908
Insurance receivables	913,888	913,888	-	-	-	913,888
Other receivables (excluding prepayments)	47,713	47,713	-	-	-	47,713
Statutory deposits	23,538	-	25,303	-	-	25,303
Bank balances and cash	679,958	592,107	76,348	28,442	-	696,897
Total financial assets	3,118,117	1,553,708	298,990	293,379	1,096,626	3,242,703
Financial liabilities						
Bank borrowings	388,769	10,531	430,567	-	-	441,098
Reinsurance deposits retained	141,166	141,166	-	-	-	141,166
Insurance payables	492,934	492,934	-	-	-	492,934
Trade and other payables	105,593	105,593	-	-	-	105,593
Total financial liabilities	1,128,462	750,224	430,567	-	-	1,180,791

31. Dividends

The Board of Directors has not proposed dividends for the year ended 31 December 2012 (2011: a dividend of one bonus share for each 10 shares held amounting AED 41,988,375 was paid).

32. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 26 February 2013.