Orient Insurance Company (PJSC)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2013 (UNAUDITED)

ERNST & YOUNG

P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
www.ey.com/me

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ORIENT INSURANCE COMPANY (PJSC)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Orient Insurance Company (PJSC) and its subsidiaries (the "Group") as of 31 March 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Signed by:
Anthony O'Sullivan
Partner
Registration No. 687

25 April 2013

Dubai, United Arab Emirates

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

	Notes	***Unaudited 31 March 2013***	*Audited 31 December 2012 (Restated)**	*Unaudited 31 March 2012 (Restated)**
		AED'000	*AED'000*	*AED'000*
ASSETS				
Property and equipment		**124,458**	125,939	127,701
Investment securities	4	**759,316**	675,453	626,005
Insurance contract assets	8	**840,100**	859,466	703,762
Insurance receivables		**316,101**	243,303	260,424
Prepayment and other receivables		**33,128**	38,396	61,039
Deposits with banks	5	**874,309**	844,545	760,345
Cash and cash equivalents		**45,448**	73,073	86,273
TOTAL ASSETS		**2,992,860**	2,860,175	2,625,549
EQUITY AND LIABILITIES				
Equity				
Share capital	6	**405,000**	405,000	405,000
Statutory reserve	7	**101,250**	101,250	93,750
Legal reserve	7	**152,331**	152,331	131,325
Exceptional loss reserve	7	**107,740**	107,740	92,635
General reserve	7	**293,434**	293,434	206,593
Retained earnings		**117,729**	10,851	90,524
Available-for-sale (AFS) reserve	7	**127,280**	41,967	14,284
Foreign currency translation reserve	7	**(16,506)**	(16,160)	(10,092)
Proposed dividends		-	81,000	-
Equity attributable to equity holders of the parent		**1,288,258**	1,177,413	1,024,019
Non-controlling interests		**48,385**	46,926	61,939
Total equity		**1,336,643**	1,224,339	1,085,958
Liabilities				
Insurance contract liabilities	8	**1,215,815**	1,215,005	1,030,530
Reinsurance payables		**208,659**	202,552	245,904
Amounts held under insurance treaties		**121,558**	117,639	112,005
Payable to policy holders of unit linked products		**2,722**	3,016	-
Other payables and accruals		**107,463**	97,624	76,152
Dividend payable		-	-	75,000
Total liabilities		**1,656,217**	1,635,836	1,539,591
TOTAL EQUITY AND LIABILITIES		**2,992,860**	2,860,175	2,625,549

* Certain amounts shown here do not correspond to the interim condensed financial statements as at 31 December 2012 and 31 March 2012. These changes reflect adjustments made as detailed in note 12.

.....
Senior Managing Director
2013

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March

	Note	*Unaudited 2013 AED'000*	*Unaudited 2012 AED'000 (Restated)**
UNDERWRITING INCOME			
Gross premiums			
Insurance contracts premium		**371,282**	319,405
Movement in provision for unearned premium		**(29,338)**	(11,706)
Insurance premium revenue		**341,944**	307,699
Less: **Reinsurers' share of premium**			
Insurance contracts premium		**242,545**	212,112
Movement in provision for unearned premium		**(18,444)**	(6,597)
		224,101	205,515
Net insurance premium revenue		**117,843**	102,184
Commission income		**35,104**	33,441
Total underwriting income		**152,947**	135,625
UNDERWRITING EXPENSES			
Claims paid		**142,939**	177,237
Less: re-insurance share		**(99,027)**	(136,207)
Net claims		**43,912**	41,030
Increase in outstanding claims		**10,103**	7,060
Claims incurred		**54,015**	48,090
Commission expenses		**24,118**	19,516
General and administration expenses		**32,773**	28,621
Total underwriting expenses		**110,906**	96,227
NET UNDERWRITING INCOME		**42,041**	39,398
INVESTMENT INCOME			
Interest income		**8,400**	10,441
Dividend income		**54,164**	34,321
Other income		**1,307**	619
Fair value gain on investments carried at fair value through profit or loss		**2,627**	571
		66,498	45,952
PROFIT FOR THE PERIOD		**108,539**	85,350
Attributable to:			
Owners of the parent		**106,878**	82,770
Non-controlling interests		**1,661**	2,580
		108,539	85,350
Basic and diluted earnings per share (AED)			
Attributable to equity holders of the parent	3	**26.39**	20.44

* Certain amounts shown here do not correspond to the interim condensed financial statements as at 31 March 2012 and reflect adjustments made as detailed in note 12.

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March

	Unaudited 2013 AED'000	*Unaudited 2012 AED'000 (Restated)**
Profit for the period	**108,539**	85,350
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	**(548)**	(8,829)
Net unrealised gains on available-for-sale investments	**85,313**	16,236
Total comprehensive income for the period	**193,304**	92,757
Attributable to:		
Owner of the parent	**191,845**	93,940
Non-controlling interests	**1,459**	(1,183)
	193,304	92,757

* Certain amounts shown here do not correspond to the interim condensed financial statements as at 31 March 2012 and reflect adjustments made as detailed in note 12.

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended 31 March

	Unaudited 2013 AED'000	*Unaudited 2012 AED'000 (Restated)**
OPERATING ACTIVITIES		
Profit for the period	**108,539**	85,350
Adjustments for:		
Depreciation	**1,685**	1,616
Gain on sale of property and equipment	**(6)**	-
Interest income	**(8,400)**	(10,441)
Dividend income	**(54,164)**	(34,321)
Unrealised gain on investments at fair value through profit or loss	**(2,627)**	(571)
Operating profit before changes in operating assets and liabilities	**45,027**	41,633
Insurance receivables	**(72,798)**	(50,595)
Insurance contract liabilities	**810**	(7,483)
Prepayments and other receivables	**5,268**	(33,249)
Reinsurance payables	**6,107**	45,277
Amount held under insurance treaties	**3,919**	628
Other payables and accruals	**9,839**	(18,311)
Payable to policyholders of unit linked products	**(294)**	-
Insurance contract assets	**19,366**	13,405
Net cash from (used in) operating activities	**17,244**	(8,695)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(315)**	(599)
Proceeds from sale of property and equipment	**117**	-
Interest income	**8,400**	10,441
Purchase of available-for-sale investments	**(15)**	(497,651)
Purchase of held to maturity investments	**(602)**	(4,046)
Sale of available-for-sale investments	**4,694**	4,258
Deposits with banks	**(29,764)**	494,405
Net cash (used in) from investing activities	**(17,485)**	6,808
FINANCING ACTIVITIES		
Dividends received	**54,164**	34,321
Dividends paid	**(81,000)**	-
Net cash (used in) from financing activities	**(26,836)**	34,321
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(27,077)**	32,434
Cash and cash equivalents at 1 January	**73,073**	62,668
Movement in foreign currency translation reserve	**(548)**	(8,829)
CASH AND CASH EQUIVALENTS AT 31 MARCH	**45,448**	86,273

* Certain amounts shown here do not correspond to the interim condensed financial statements as at 31 March 2012 and reflect adjustments made as detailed in note 12.

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2013

	Attributable to shareholders of the parent											
	Share capital AED'000	*Statutory reserve AED'000*	*Legal reserve AED'000*	*Exceptional loss reserve AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Available-for-sale (AFS) reserve AED'000*	*Foreign currency translation reserve AED'000*	*Proposed dividend AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total*
As at 1 January 2013 (restated)*	405,000	101,250	152,331	107,740	293,434	10,851	41,967	(16,160)	81,000	1,177,413	46,926	1,224,339
Profit for the period	-	-	-	-	-	106,878	-	-	-	106,878	1,661	108,539
Other comprehensive income	-	-	-	-	-	-	85,313	(346)	-	84,967	(202)	84,765
Total comprehensive income	-	-	-	-	-	106,878	85,313	(346)	-	191,845	1,459	193,304
Transfer to current liability	-	-	-	-		-	-	-	(81,000)	(81,000)	-	(81,000)
At 31 March 2013	**405,000**	**101,250**	**152,331**	**107,740**	**293,434**	**117,729**	**127,280**	**(16,506)**	**-**	**1,288,258**	**48,385**	**1,336,643**

* Certain amounts shown here do not correspond to the interim condensed financial statements as at 31 December 2012 and reflect adjustments made as detailed in note 12.

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2013

	Attributable to shareholders of the parent											
	Share capital AED'000	*Statutory reserve AED'000*	*Legal reserve AED'000*	*Exceptional loss reserve AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Available-for-sale (AFS) reserve AED'000*	*Foreign currency translation reserve AED'000*	*Proposed dividend AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total*
As at 1 January 2012 (restated)*	375,000	93,750	131,325	92,635	236,593	7,754	(1,952)	(5,026)	75,000	1,005,079	63,122	1,068,201
Profit for the period	-	-	-	-	-	82,770	-	-	-	82,770	2,580	85,350
Other comprehensive income	-	-	-	-	-	-	16,236	(5,066)	-	11,170	(3,763)	7,407
Total comprehensive income	-	-	-	-	-	82,770	16,236	(5,066)	-	93,940	(1,183)	92,757
Capitalisation of general reserve	30,000	-			(30,000)					-	-	-
Transfer to current liability	-	-	-	-		-	-	-	(75,000)	(75,000)	-	(75,000)
At 31 March 2012 (Unaudited)	405,000	93,750	131,325	92,635	206,593	90,524	14,284	(10,092)	-	1,024,019	61,939	1,085,958

* Certain amounts shown here do not correspond to the interim condensed financial statements as at 31 December 2011 and reflect adjustments made as detailed in note 12.

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

Arab Orient Insurance Company (PSC) (the "Company") is a Public Shareholding Company and is registered under the Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the UAE and also registered in accordance with the UAE Federal Law No. 6 of 2007, as amended ("The Insurance Companies Law"). The Company mainly issues short term insurance contracts in connection with property, motor, marine, fire and engineering, general accident risks and medical (collectively known as general insurance) and group life and individual life classes (collectively referred as life insurance). The Company also invests its funds in investment securities and properties. The registered address of the Company is P.O. Box 27966, Dubai, United Arab Emirates.

These interim condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") and the group's share of the results.

During the previous year, the Company changed its name from Arab Orient Insurance Company (PSC) to Orient Insurance Company (PJSC).

These interim condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") and the group's share of the results.

The Group comprises of the parent and the under-mentioned subsidiary companies.

Subsidiary	*Principal activity*	*Country of incorporation*	*Ownership*
* Arab Orient Insurance Company	General insurance	Syria	40%
Arab Orient Takaful Company	General insurance	Egypt	60%
Orient Insurance Limited	General insurance	Sri Lanka	100%
Orient Sigorta Anomin Sirketi	General insurance	Turkey	100%

* The applicability of IFRS 10 resulted in the establishment of 'de facto' control over Arab Orient Insurance Company, Syria which was previously accounted for as an associate. This entity is consolidated in Group's interim condensed consolidated financial statements retrospectively from the date when the Company obtained control. The effect of IFRS 10 is described in more detailed in Note 12, which includes quantification of the effect on the financial statements.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 19 (Revised 2011) Employee Benefits, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group (continued)

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

IAS 1 ***Presentation of Items of Other Comprehensive Income – Amendments to IAS 1***
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 ***Clarification of the requirement for comparative information*** **(Amendment)**
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 ***Tax effects of distributions to holders of equity instruments*** **(Amendment)**
The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 ***Interim financial reporting and segment information for total assets and liabilities*** **(Amendment)**
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the CODM. See Note 9.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group (continued)

IAS 19 *Employee Benefits* (Revised 2011) (IAS 19R)
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

In case of the Group, the transition to IAS 19R did not have impact on the net defined benefit plan obligations due to the difference in accounting for interest on plan assets or unvested past service costs.

IFRS 7 *Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7*
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:
(a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 11 *Joint Arrangements* and IAS 28 *Investment in Associates and Joint Ventures*
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

The application of this new standard did not impact the financial position of the Group. IFRS 11 is effective for annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group (continued)

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 11.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding during the period of 4,050,000 shares.

No figure for diluted earnings has been presented because the Group has not issued any instrument which would have an impact on earnings per share when exercised.

4 INVESTMENT SECURITIES

	31 March 2013 AED'000	*Audited 31 December 2012 AED'000 (Restated)*	*31 March 2012 AED'000 (Restated)*
Investments carried at fair value through profit or loss			
Managed portfolios – outside UAE	**1,852**	1,825	1,796
	1,852	1,825	1,796
Held for trading – Quoted shares (within UAE)	**10,449**	7,849	7,207
	12,301	9,674	9,003
Held to maturity			
Debt			
Unquoted - outside UAE	**61,184**	60,582	48,707

4 INVESTMENT SECURITIES (continued)

	31 March 2013 AED'000	*Audited 31 December 2012 AED'000 (Restated)*	*31 March 2012 AED'000 (Restated)*
Available for sale investments			
Debt			
Quoted (within UAE)	**9,550**	9,100	8,400
Unquoted - outside UAE	**9,057**	13,442	12,750
	18,607	22,542	21,150
Equity (within UAE)			
Quoted	**628,380**	543,517	516,534
Quoted- Investment held on behalf of policy holders of unit linked products	**2,722**	3,016	-
Unquoted	**36,122**	36,122	30,611
	667,224	582,655	547,145
	685,831	605,197	568,295
Total	**759,316**	675,453	626,005

All investment securities are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

Investments carried at fair value through value profit or loss
After initial recognition, all investments carried at fair value through profit or loss are remeasured at fair value. All related realised and unrealised gains or losses are recognised in the condensed consolidated income statement.

Held to maturity
Securities which have fixed or determinable payments which are intended to be held to maturity are carried at amortised cost using effective interest rate method, less provision for impairment in value.

Available for sale investments
After initial recognition, securities which are classified as "available-for-sale" are remeasured at fair value. Unrealised gains or losses are recognised in the condensed consolidated statement of comprehensive income until the security is derecognised or until the security is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in the condensed consolidated statement of comprehensive income is included in the condensed consolidated statement of income for the period.

In the case of unquoted investments in shares where fair value cannot reliably be measured, such investments are carried at cost less provision for impairment.

5 DEPOSITS WITH BANKS

Deposits with banks include the following:

		31 March 2013 AED'000	*Audited 31 December 2012 AED'000 (Restated)*	*31 March 2012 AED'000 (Restated)*
a)	Statutory deposit that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No.6 of 2007	**10,000**	10,000	10,000
b)	Amounts under lien with Capital Market Authority Sultanate of Oman	**17,746**	17,746	11,708
c)	Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**478**	478	478
d)	Amounts under lien with Insurance Authority Syria	**1,304**	1,296	1,701
e)	Fixed term deposits	**844,781**	815,025	736,458
		874,309	844,545	760,345

6 SHARE CAPITAL

	31 March 2013 AED'000	*Audited 31 December 2012 AED'000*	*31 March 2012 AED'000*
Issued and fully paid- shares of AED 100 each	**405,000**	405,000	405,000

7 RESERVES

Nature and purpose of reserves

- **STATUTORY RESERVE**

In accordance with the Company's Articles of Association, 10% of the net profit for the year is required to be transferred to a statutory reserve. The Group may resolve to discontinue such annual transfers when the statutory reserve is equal to 25% of paid up capital. No transfer has been made during the three month period to 31 March 2013, as this will be based on the results for the year. The reserve can be used for any purpose to be decided by the shareholders upon the recommendation of the Board of Directors.

- **LEGAL RESERVE**

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the legal reserve. The Group may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. No transfer has been made during the three month period to 31 March 2013, as this will be based on the results for the year. The reserve is not available for distribution except in the circumstances stipulated by the law.

- **EXCEPTIONAL LOSS RESERVE**

An amount equal to 10% of the net underwriting income for the year is to be transferred to an exceptional loss reserve to ensure that the Group has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years. No transfer has been made during the three month period to 31 March 2013, as this will be based on the results for the year.

7 RESERVES (continued)

- **GENERAL RESERVE**

Transfers to the general reserve are made on the recommendation of the Board of Directors. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

- **AVAILABLE-FOR-SALE (AFS) RESERVE**

This reserve records fair value changes on available-for-sale financial assets.

- **FOREIGN CURRENCY TRANSLATION RESERVE**

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

8 INSURANCE CONTRACT ASSETS AND LIABILITIES

	31 March 2013 AED'000	*Audited (Restated) 31 December 2012 AED'000*	*Unaudited (Restated) 31 March 2012 AED'000*
Insurance contract liabilities			
Unearned premium reserve	**647,410**	618,988	578,087
Outstanding claims	**568,405**	596,017	452,443
	1,215,815	1,215,005	1,030,530
Reinsurance assets			
Unearned premium reserve	**457,358**	439,307	412,486
Outstanding claims	**382,742**	420,159	291,276
	840,100	859,466	703,762

9 SEGMENTAL INFORMATION

Identification of reportable segments
For management purposes the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

- The general insurance segment comprises motor, marine, fire, engineering, general accident and medical
- The life segment includes individual and group life insurance.
- Investment comprises investment and cash management for the Group's own account.

Transactions between operating segments are conducted at estimated market rates on an arm's length basis.

9 SEGMENTAL INFORMATION (continued)

Operating segment information is presented below:

	Three months ended 31 March					
	General insurance		*Life insurance*		*Total*	
	2013 AED'000	*2012 AED'000*	***2013 AED'000***	*2012 AED'000*	***2013 AED'000***	*2012 AED'000*
Total underwriting income	**139,534**	123,990	**13,413**	11,635	**152,947**	135,625
Net underwriting income	**37,318**	34,652	**4,723**	4,746	**42,041**	39,398
Total investment income					**66,498**	45,952
Profit for the period					**108,539**	85,350

	Life Insurance AED'000	*General Insurance AED'000*	*Investment AED'000*	*Total AED'000*
Segment assets				
31 March 2013	**1,246,153**	**113,082**	**1,633,625**	**2,992,860**
31 December 2012	1,243,555	96,622	1,519,998	2,860,175
Segment liabilities				
31 March 2013	**1,552,847**	**103,370**	**-**	**1,656,217**
31 December 2012	1,544,233	91,603	-	1,635,836

Geographic information

Underwriting revenues from external customers

	31 March 2013 AED'000	*31 March 2012 AED'000*
United Arab Emirates and Oman	**125,676**	114,336
Egypt, Syria and others	**27,271**	21,289
TOTAL UNDERWRITING INCOME	**152,947**	135,625

Non-current assets

	31 March 2012 AED'000	*31 March 2011 AED'000*
United Arab Emirates	**118,536**	121,563
Egypt, Syria and others	**5,922**	6,138
	124,458	127,701

Non-current assets for this purpose consist of property and equipment and investment properties.

10 CONTINGENT LIABILITIES

	31 March 2013 AED'000	*Audited 31 December 2012 AED'000*	*Unaudited 31 March 2012 AED'000*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**5,964**	15,528	2,927

Bank guarantees have been issued in the normal course of business.

Capital commitment			
Commitment for investments	**24,338**	25,463	29,867
Uncalled capital of subsidiary company	**16,334**	17,351	18,306
	40,672	42,814	48,173

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Determination of fair value and fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	*Level 2*	*Level 3*	*Total fair value*
31 March 2013	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Financial assets held-for-trading:				
Equity securities	**10,449**	-	-	**10,449**
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	**1,852**	**1,852**
Available-for-sale financial assets:				
Equity securities	**631,102**	-	-	**631,102**
Debt securities	**9,550**	-	-	**9,550**
	640,652	-	**1,852**	**640,652**

11 FAIR VALUE OF FINANCIAL INSTRUMENTS- continued

31 March 2012	*Level 1*	*Level 2*	*Level 3*	*Total fair value*
	AED'000	*AED'000*	*AED'000*	*AED'000*
Financial assets held-for-trading:				
Equity securities	7,207	-	-	7,207
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	1,796	1,796
Available-for-sale financial assets:				
Equity securities	516,534	-	-	516,534
Debt securities	8,400	-	-	8,400
	524,934	-	1,796	524,934

Financial instruments recorded at fair value

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole part or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Movements in level 3 financial instruments measured at fair value
The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

31 March 2013

	At 1 January 2013 AED'000	*Total gain or loss recorded in profit and loss AED'000*	*Purchase AED'000*	*Sales AED'000*	*Total gain or loss recorded in equity AED'000*	*Transfer from level 1 AED'000*	*At 31 March 2013 AED'000*
Financial assets designated at fair value through profit or loss							
Equity securities	**1,825**	**27**	**-**	**-**	**-**	**-**	**1,852**
Total	**1,825**	**27**	**-**	**-**	**-**	**-**	**1,852**

31 March 2012

	At 1 January 2012 AED'000	*Total gain or loss recorded in profit and loss AED'000*	*Purchase AED'000*	*Sales AED'000*	*Total gain or loss recorded in equity AED'000*	*Transfer from level 1 AED'000*	*At 31 March 2012 AED'000*
Financial assets designated at fair value through profit or loss							
Equity securities	1,932	(136)	-	-	-	-	1,796
Total	1,932	(136)	-	-	-	-	1,796

12 APPLICABILITY OF IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*

Based on the IFRS 10 requirements, the group is deemed to have de facto control of Arab Orient Insurance Company, Syria – 40% subsidiary. This subsidiary was not previously required to be consolidated under IAS 27; it was instead equity accounted under IAS 28. The group has consolidated Arab Orient Insurance Company, Syria retrospectively, as required by the provisions of IFRS 10. The table below illustrates the resulting financial effects:

Impact on the statement of financial position

	Audited 31 December 2012 AED'000 Increase/ (decrease)	*Unaudited 31March 2012 AED'000 Increase/ (decrease)*
Assets:		
Property and equipment	3,621	4,038
Investment in associated company	(29,847)	(36,165)
Investment securities	72	72
Insurance contract assets	8,115	7,772
Insurance receivables	5,152	7,569
Prepayments and other receivables	29,509	8,870
Deposits with banks	73,807	128,934
Cash and cash equivalents	3,575	2,087
Total	**94,004**	**123,177**
Equity:		
General Reserve	(6,547)	(6,999)
Retained earnings	9,741	8,853
Foreign currency translation reserve	(8,517)	(3,871)
Non controlling interests	31,930	48,313
	26,607	**46,296**
Liabilities:		
Insurance contract liabilities	56,336	60,171
Reinsurance payables	1,533	3,670
Amounts held under reinsurance treaties	5,469	6,684
Other payables and accruals	4,059	6,356
	67,397	**76,881**
Total	**94,004**	**123,177**

12 ADOPTION OF IFRS 10- *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements* (continued)

Impact on the income statement

	Audited Year ended 31 December 2012 AED'000 Increase/ (decrease)	*Unaudited Three months ended 31 March 2012 AED'000 Increase/ (decrease)*
Underwriting income	24,787	7,731
Underwriting expenses	25,508	7,417
Investment income	8,934	2,736
Share of associates results	(2,161)	631
Profit for the period	**6,052**	**3,681**

Impact on the statement of cash flows

	Audited Year ended 31 December 2012 AED'000 Increase/ (decrease)	*Unaudited Three months ended 31 March 2012 AED'000 Increase/ (decrease)*
Cash flows from operating activities	(29,877)	1,117
Cash flow from investing activities	64,036	3,829
Cash flow from financing activities	(15,733)	(1,085)