Al-Sagr National Insurance Company
(Public Shareholding Company)

Report and consolidated financial statements
for the year ended 31 December 2012

Al-Sagr National Insurance Company (Public Shareholding Company)

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Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai, United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax: +971 (0) 4 376 8899
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Al-Sagr National Insurance Company
(Public Shareholding Company)
Dubai, United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Al-Sagr National Insurance Company (Public Shareholding Company) - Dubai, United Arab Emirates** (the "Company") and **its Subsidiary** (collectively the "Group"), 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 determined is necessary to enable the preparation of the 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 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.

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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 **Al-Sagr National Insurance Company (Public Shareholding Company), Dubai, United Arab Emirates** and **its Subsidiary,** as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account. We 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, and of the U.A.E. Federal Law No. 6 of 2007, concerning formation of Insurance Authority of U.A.E., or the Company's Articles of Association which might have materially affected the financial position of the Company or the results of its operations.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
28 March 2013

Consolidated statement of financial position
As at 31 December 2012

	Notes	2012 AED	2011 AED
ASSETS			
Non-current assets			
Property and equipment	5	**4,609,135**	4,845,992
Investment properties	6	**211,193,163**	238,123,186
Investments in associates	7	**541,010**	65,530,928
Held to maturity investments	8	**6,799,474**	6,799,474
Available for sale investments	8	**2,539,123**	3,979,973
Total non-current assets		**225,681,905**	319,279,553
Current assets			
Reinsurance contract assets	9	**118,687,160**	107,354,952
Insurance and other receivables	10	**199,972,272**	183,927,424
Due from related parties	23	**162,541,656**	205,133,700
Held for trading investments	8	**167,969,818**	54,014,152
Bank balances and cash	11	**289,469,826**	276,756,108
Total current assets		**938,640,732**	827,186,336
Total Assets		**1,164,322,637**	1,146,465,889
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**230,000,000**	230,000,000
Statutory reserve	13	**52,011,356**	49,209,674
General reserve	14	**200,000,000**	200,000,000
Investments revaluation reserve		**(1,298,925)**	(32,976)
Retained earnings		**106,449,561**	91,567,776
Equity attributable to equity holders of the parent		**587,161,992**	570,744,474
Non-controlling interests		**4,146,458**	4,159,540
Total Equity		**591,308,450**	574,904,014
Non-current liabilities			
Due to related parties	23	**2,719,273**	18,073,204
Provision for employees' end of service indemnity	15	**9,506,175**	10,910,440
Total non-current liabilities		**12,225,448**	28,983,644
Current liabilities			
Insurance contract liabilities	9	**253,434,704**	236,383,850
Bank borrowings	16	**202,679,506**	207,456,809
Insurance and other payables	17	**104,674,529**	98,737,572
Total current liabilities		**560,788,739**	542,578,231
Total Liabilities		**573,014,187**	571,561,875
Total Equity and Liabilities		**1,164,322,637**	1,146,465,889

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Director and CEO

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	2011 AED
Gross insurance premium revenue		**373,936,867**	396,519,808
Less: Insurance premium ceded to reinsurers		**(141,249,378)**	(179,384,240)
Net premium revenue		**232,687,489**	217,135,568
Net changes in unearned premium	9	**(206,270)**	(4,043,156)
Net insurance premium revenue		**232,481,219**	213,092,412
Gross claims settled	9	**(271,363,870)**	(346,312,137)
Insurance claims recovered from reinsurers	9	**74,401,518**	149,303,496
Net claims settled	9	**(196,962,352)**	(197,008,641)
Net changes in outstanding claims		**(5,512,376)**	(6,650,873)
Net claims incurred	9	**(202,474,728)**	(203,659,514)
Gross commissions earned and documentation fees		**61,508,792**	69,299,646
Commissions incurred		**(26,735,500)**	(28,764,401)
Net commissions earned and documentation fees		**34,773,292**	40,535,245
Underwriting profit		**64,779,783**	49,968,143
General and administrative expenses relating to underwriting activities		**(34,168,888)**	(34,288,928)
Net underwriting profit		**30,610,895**	15,679,215
Investment revenue - net	18	**87,607,654**	3,408,530
Share of (loss)/profit from associates		**(35,827)**	7,828,971
Net (loss)/gain on revaluation of investment properties		**(26,930,023)**	20,411,336
Finance costs		**(9,087,941)**	(11,455,612)
Other income	19	**2,158,287**	1,742,003
Unallocated general and administrative expenses		**(54,985,924)**	(28,057,287)
Profit for the year	20	**29,337,121**	9,557,156
Attributable to:			
Equity holders of the Parent		**29,183,467**	10,756,535
Non-controlling interests		**153,654**	(1,199,379)
		29,337,121	9,557,156
Basic earnings per share	21	**0.13**	0.05

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

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

	Notes	2012 AED	2011 AED
Profit for the year		**29,337,121**	9,557,156
Other comprehensive (loss)/income			
(Loss)/gain on revaluation of available for sale investments	8(b)	**(1,432,685)**	65,104
Total other comprehensive (loss)/income		**(1,432,685)**	65,104
Total comprehensive income for the year		**27,904,436**	9,622,260
Total comprehensive income attributable to:			
Equity holders of the Parent		**27,917,518**	10,813,468
Non-controlling interests		**(13,082)**	(1,191,208)
		27,904,436	9,622,260

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

Al-Sagr National Insurance Company (Public Shareholding Company)

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

	Share capital AED	Statutory reserve AED	General reserve AED	Investments revaluation reserve AED	Retained earnings AED	Attributable to equity holders of parent AED	Non-controlling interests AED	Total AED
Balance at 31 December 2010	**230,000,000**	**46,953,554**	**200,000,000**	**(89,909)**	**83,067,361**	**559,931,006**	**5,350,748**	**565,281,754**
Profit for the year	-	-	-	-	10,756,535	10,756,535	(1,199,379)	9,557,156
Other comprehensive income	-	-	-	56,933	-	56,933	8,171	65,104
Total comprehensive income for the year	-	-	-	**56,933**	**10,756,535**	**10,813,468**	**(1,191,208)**	**9,622,260**
Transfer to statutory reserve	-	2,256,120	-	-	(2,256,120)	-	-	-
Balance at 31 December 2011	**230,000,000**	**49,209,674**	**200,000,000**	**(32,976)**	**91,567,776**	**570,744,474**	**4,159,540**	**574,904,014**
Profit for the year	-	-	-	-	29,183,467	29,183,467	153,654	29,337,121
Other comprehensive income	-	-	-	(1,265,949)	-	(1,265,949)	(166,736)	(1,432,685)
Total comprehensive income for the year	-	-	-	**(1,265,949)**	**29,183,467**	**27,917,518**	**(13,082)**	**27,904,436**
Transfer to statutory reserve	-	2,801,682	-	-	(2,801,682)	-	-	-
Dividend paid	-	-	-	-	(11,500,000)	(11,500,000)	-	(11,500,000)
Balance at 31 December 2012	**230,000,000**	**52,011,356**	**200,000,000**	**(1,298,925)**	**106,449,561**	**587,161,992**	**4,146,458**	**591,308,450**

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 AED	2011 AED
Cash flows from operating activities		
Profit for the year	**29,337,121**	9,557,156
Adjustments for:		
Depreciation of property and equipment	**1,904,187**	2,035,797
Allowance for doubtful debts	**38,495,142**	16,207,751
Investment revenue - net	**(1,974,098)**	(3,069,307)
Net (gain)/loss on revaluation of held for trading investments	**(69,311,083)**	13,287,966
Impairment of held to maturity investments	**-**	416,424
Loss/(gain) on revaluation of investment properties	**26,930,023**	(20,411,336)
(Reversal)/provision for employees' end of service indemnity	**(357,535)**	1,422,313
Interest income	**(8,379,820)**	(11,088,423)
Share of loss/(profit) from associates	**35,827**	(7,828,971)
Finance costs	**9,087,941**	11,455,612
Gain on sale of investment in associate	**(4,538,000)**	-
Operating cash flows before movement in working capital	**21,229,705**	11,984,982
Decrease/(increase) in fixed deposits with banks	**1,965,664**	(3,940,559)
(Increase)/decrease in insurance and other receivables	**(19,039,990)**	4,465,838
Increase/(decrease) in insurance and other payables	**5,936,957**	(19,128,713)
Net increase in due from related parties	**13,763,519**	14,427,531
(Increase)/decrease in reinsurance contract assets	**(11,332,208)**	64,309,493
Increase/(decrease) in insurance contract liabilities	**17,050,854**	(53,615,464)
Cash generated from operations	**29,574,501**	18,503,108
Interest paid	**(9,087,941)**	(11,455,612)
Employees' end of service indemnity paid	**(1,046,730)**	(871,291)
Net cash generated from operating activities	**19,439,830**	6,176,205
Cash flows from investing activities		
Purchase of investment property	**-**	(45,000,000)
Proceeds from disposal of investment property	**-**	15,000,000
Net proceeds from sale of investments in securities	**2,830,267**	5,854,933
Proceeds from sale of property and equipment	**2,897**	138,474
Purchase of property and equipment	**(1,670,227)**	(1,108,055)
Interest received	**8,379,820**	11,088,423
Dividends received	**1,974,098**	2,554,968
Net cash generated from/(used in) investing activities	**11,516,855**	(11,471,257)
Cash flows from financing activities		
Repayment of bank borrowings	**(4,777,303)**	(2,572,842)
Dividend paid	**(11,500,000)**	-
Net cash used in financing activities	**(16,277,303)**	(2,572,842)
Net increase/(decrease) in cash and cash equivalents	**14,679,382**	(7,867,894)
Cash and cash equivalents at beginning of the year	**6,574,608**	14,442,502
Cash and cash equivalents at end of the year (Note 22)	**21,253,990**	6,574,608
Non cash transactions:		
Transfer of investment in Al Sagr Co-operative Insurance Company to held for trading investments [Note 7(a)]	**47,466,685**	-

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