OMAN INSURANCE COMPANY P.S.C.
AND SUBSIDIARIES

Review report and interim financial information
for the three months period ended 31 March 2013

OMAN INSURANCE COMPANY P.S.C. AND SUBSIDIARIES

Contents **Pages**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Oman Insurance Company P.S.C. (the "Company") and its Subsidiaries (together referred to as the "Group") as at 31 March 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "*Interim Financial Reporting"* Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
15 May 2013

Condensed consolidated statement of financial position
At 31 March 2013

	Notes	31 March 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
ASSETS			
Property and equipment		**25,862**	23,153
Investment properties		**361,244**	361,244
Goodwill		**26,588**	26,588
Financial investments		**1,212,495**	1,189,952
Statutory deposits		**23,538**	23,538
Reinsurance contract assets	5	**1,099,160**	1,065,852
Insurance receivables		**1,328,931**	950,073
Prepayments and other receivables		**91,735**	91,841
Bank balances and cash		**889,110**	879,701
Total assets		**5,058,663**	4,611,942
EQUITY AND LIABILITIES			
Equity			
Share capital	6	**461,872**	461,872
Reserves	7	**1,300,714**	1,300,714
Cumulative changes in fair value of securities		**(387,487)**	(349,235)
Foreign currency translation reserve		**(747)**	28
Retained earnings		**248,573**	172,295
Equity attributable to Owners of the Company		**1,622,925**	1,585,674
Non-controlling interests		**(2,071)**	3,206
Total equity		**1,620,854**	1,588,880
Liabilities			
End of service benefits		**34,378**	34,180
Bank borrowings	8	**178,583**	128,520
Insurance contract liabilities	5	**2,457,798**	2,294,749
Reinsurance deposits retained		**104,626**	126,650
Insurance payables		**546,417**	361,082
Other payables		**116,007**	77,881
Total liabilities		**3,437,809**	3,023,062
Total equity and liabilities		**5,058,663**	4,611,942

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Abdulraouf Almubarak **Patrick Choffel**
Vice Chairman **Chief Executive Officer**

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

Condensed consolidated income statement (unaudited)
for the three months period ended 31 March 2013

	Three months period ended 31 March	
	2013	2012
	AED'000	AED'000
Gross insurance premium	**895,109**	905,107
Less: Insurance premium ceded to reinsurers	**(451,056)**	(483,119)
Net retained premium	**444,053**	421,988
Net change in unearned premium	**(114,915)**	(111,913)
Net insurance premium	**329,138**	310,075
Gross claims settled	**(360,222)**	(322,416)
Insurance claims recovered from reinsurers	**157,355**	158,734
Net claims settled	**(202,867)**	(163,682)
Net change in outstanding claims and additional reserves	**26,608**	(7,658)
Net claims incurred	**(176,259)**	(171,340)
Excess of loss reinsurance premium	**(7,382)**	(9,326)
Policies surrendered and maturities paid	**(5,900)**	(6,029)
Reinsurance commission income	**40,777**	69,992
Commission expenses	**(54,448)**	(51,925)
Insurance business fees	**(2,394)**	(3,514)
General and administrative expenses	**(72,393)**	(61,311)
Other income relating to underwriting activities	**7,977**	9,315
	(93,763)	(52,798)

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

Condensed consolidated income statement (unaudited) for the three months period ended 31 March 2013 (continued)

	Three months period ended 31 March	
	2013	2012
	AED'000	AED'000
Underwriting profit before movements in life assurance fund	**59,116**	85,937
Increase in life assurance fund	**(3,456)**	(23,142)
Net underwriting profit	**55,660**	62,795
Net investment income	**23,262**	22,636
Finance costs	**(6,696)**	(5,731)
Profit before tax	**72,226**	79,700
Income tax expenses	**(1,608)**	-
Profit for the period	**70,618**	79,700
Attributable to:		
Owners of the Company	**75,151**	79,700
Non-controlling interests	**(4,533)**	-
	70,618	79,700
Basic earnings per share (Note 9)	**AED 0.16**	AED 0.17

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

Condensed consolidated statement of comprehensive income (unaudited)
for the three months period ended 31 March 2013

	Three months period ended 31 March	
	2013	2012
	AED'000	AED'000
Profit for the period	**70,618**	79,700
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Net fair value losses on investments designated at FVTOCI	**(13,874)**	(29,840)
(Loss)/gain on sale of investments designated at FVTOCI	**(157)**	1,422
	(14,031)	(28,418)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(1,519)**	-
Total other comprehensive loss for the period	**(15,550)**	(28,418)
Total comprehensive income for the period	**55,068**	51,282
Total comprehensive income attributable to:		
Owners of the Company	**60,345**	51,282
Non-controlling interests	**(5,277)**	-
	55,068	51,282

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

Condensed consolidated statement of changes in equity
for the three months period ended 31 March 2013

	Share capital AED ’000	Reserves AED ’000	Cumulative changes in fair value of securities AED ’000	Foreign currency translation reserve AED ’000	Retained earnings AED ’000	Equity attributable to Owners of the Company AED ’000	Non-controlling interests AED ’000	Total AED ’000
Balance at 31 December 2011 (audited)	419,884	1,228,624	(548,765)	-	374,157	1,473,900	-	1,473,900
Profit for the period	-	-	-	-	79,700	79,700	-	79,700
Other comprehensive loss for the period	-	-	(29,840)	-	1,422	(28,418)	-	(28,418)
Total comprehensive income for the Period	-	-	(29,840)	-	81,122	51,282	-	51,282
Issue of bonus shares (Note 18)	41,988	-	-	-	(41,988)	-	-	-
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	61,112	-	(61,112)	-	-	-
Balance at 31 March 2012 (unaudited)	461,872	1,228,624	(517,493)	-	352,179	1,525,182	-	1,525,182
Balance at 31 December 2012 (audited)	461,872	1,300,714	(349,235)	28	172,295	1,585,674	3,206	1,588,880
Profit for the period	-	-	-	-	75,151	75,151	(4,533)	70,618
Other comprehensive loss for the period	-	-	(13,874)	(775)	(157)	(14,806)	(744)	(15,550)
Total comprehensive income for the period	-	-	(13,874)	(775)	74,994	60,345	(5,277)	55,068
Payment of dividends (Note 18)	-	-	-	-	(23,094)	(23,094)	-	(23,094)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	(24,378)	-	24,378	-	-	-
Balance at 31 March 2013	**461,872**	**1,300,714**	**(387,487)**	**(747)**	**248,573**	**1,622,925**	**(2,071)**	**1,620,854**

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

Condensed consolidated statement of cash flows (unaudited)
for the three months period ended 31 March 2013

	Three months period ended 31 March	
	2013	2012
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period	**70,618**	79,700
Adjustments for:		
Depreciation of property and equipment	**1,676**	2,784
Fair value adjustments on investment properties	**-**	15,000
Unrealised gains on financial investments at FVTPL	**(4,535)**	(24,952)
Provision for end of service benefits	**1,168**	2,685
Dividends income from financial investments at FVTPL and FVTOCI	**(8,426)**	(18,233)
Interest income from deposits and financial investments at FVTPL	**(6,649)**	(7,108)
Realised gain on sale of financial investments at FVTPL	**(358)**	(3,371)
Finance costs	**6,696**	5,731
Operating cash flows before changes in operating assets and liabilities	**60,190**	52,236
Increase in reinsurance contract assets	**(33,308)**	(51,080)
Increase in insurance and other receivables	**(377,650)**	(243,723)
Increase in insurance contract liabilities	**163,049**	224,124
Increase in insurance and other payables	**200,367**	232,348
Decrease in reinsurance deposits retained	**(22,024)**	(10,637)
Net cash (used in)/ generated from operations	**(9,376)**	203,268
End of service benefits paid	**(970)**	(2,198)
Finance costs paid	**(6,696)**	(6,937)
Net cash (used in)/generated from operating activities	**(17,042)**	194,133

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

Condensed consolidated statement of cash flows (unaudited)
for the three months period ended 31 March 2013 (continued)

	Three months period ended 31 March	
	2013	2012
	AED'000	AED'000
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	**(100,016)**	(4,755)
Proceeds from sale of financial investments at FVTOCI	**130,147**	33,606
Purchases of financial investments at FVTPL	**(253,388)**	(105,281)
Proceeds from sale of financial investments at FVTPL	**201,325**	97,710
Purchase of financial investments measured at amortised cost	**(9,749)**	-
Dividends income from financial investments at FVTPL and FVTOCI	**8,426**	3,423
Interest income from deposits and financial investments at FVTPL	**5,547**	4,855
Purchase of property and equipment	**(4,385)**	(716)
Decrease in term deposits maturing after 3 months	**(36,934)**	139,260
Net cash (used in)/generated from investing activities	**(59,027)**	168,102
Cash flows from financing activities		
Decrease in bank borrowings	**(55,080)**	(125,000)
Cash used in financing activities	**(55,080)**	(125,000)
Net (decrease)/increase in cash and cash equivalents	**(131,149)**	237,235
Cash and cash equivalents at the beginning of the period	**406,389**	47,130
Effects of exchange rate changes on the balances of cash held in foreign currency	**(1,519)**	-
Cash and cash equivalents at the end of the period (note 10)	**273,721**	284,365

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

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2013

1. General information

Oman Insurance Company P.S.C., (the "Company") which was established by an Amiri Decree issued by His Highness, The Ruler of Dubai, is a public shareholding company and is registered under Federal Law No. 8 of 1984 (as amended) relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of Its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E. under registration number 9. The Company is a subsidiary of Mashreq Bank (PSC) incorporated in the Emirate of Dubai. Its registered head office is at P.O. Box 5209, Dubai, United Arab Emirates. The Group comprises Oman Insurance Company P.S.C and its subsidiaries (Note 3.2). 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 quoted 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 products.

The Group also operates in Oman and Qatar.

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

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

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

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

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

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

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

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

Other than the above mentioned presentation changes, the application of the amendment to IAS 1 does not have any impact on profit or loss, other comprehensive income and total comprehensive income.

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The amendments establish an exception to IFRS 10's general consolidation principle for investment entities, requiring them to "measure particular subsidiaries at fair value through profit or loss, rather than consolidate them." In addition, the amendments outline required disclosures for reporting entities that meet the definition of an investment entity.	1 January 2014

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

3. Summary of significant accounting policies

3.1 Basis of preparation

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

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

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2013 (continued)

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

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

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

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

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

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investment properties, property and equipment and financial assets have been disclosed in these condensed consolidated financial statements. (Notes 3.3 to 3.5)

3.2 Basis of consolidation

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

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

Notes to the condensed consolidated financial statements for the three months period ended 31 March 2013 (continued)

3. Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

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

Details of the Company's subsidiary at 31 March 2013 are as follows:

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

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

3.3 Investment properties

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

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

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

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

3. Summary of significant accounting policies (continued)

3.4 Property and equipment

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

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

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

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

3.5 Financial assets

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

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

3.5.1 Classification of financial assets

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

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

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

All other financial assets are subsequently measured at fair value.

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

3.5.2 Amortised cost and effective interest method

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 estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised by applying the effective interest rate, except for short-term debt instruments when the recognition of interest would be immaterial.

3.5.3 Cash and cash equivalents

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

3.5.4 Insurance receivables, other receivables and statutory deposits

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

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

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

A financial asset is held for trading if:

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

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2013 (continued)

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

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

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

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

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

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

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

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

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

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.

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

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

3.5.7 Foreign exchange gains and losses

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

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

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

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

3.5.8 Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as a default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

3.5.8 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.

3.5.9 Derecognition of financial assets

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

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

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

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

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

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

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2013 (continued)

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

4.1 Change in accounting estimate

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

The change in accounting estimate has been prospectively adopted in these condensed consolidated financial statements. Had the change not been adopted in the current period, the additional reserve would have increased by AED 30,936 thousand as at 31 March 2013 and consequently, the profit for the period then ended would have decreased by the same amount.

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

5. Insurance contract liabilities and reinsurance contract assets

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Insurance liabilities		
- Outstanding claims	**1,037,650**	1,102,815
- Additional reserve	**126,763**	129,055
- Life assurance fund	**175,689**	172,233
- Unearned premiums	**904,085**	715,013
- Unit linked liabilities	**213,611**	175,633
	2,457,798	2,294,749
Recoverable from reinsurers		
- Outstanding claims	**686,011**	726,860
- Unearned premiums	**413,149**	338,992
	1,099,160	1,065,852
Insurance liabilities – net		
- Outstanding claims	**351,639**	375,955
- Additional reserve	**126,763**	129,055
- Life assurance fund	**175,689**	172,233
- Unearned premiums	**490,936**	376,021
- Unit linked liabilities	**213,611**	175,633
	1,358,638	1,228,897

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2013 (continued)

6. Share capital

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

7. Reserves

	Statutory reserve AED '000	Strategic Reserve AED '000	General reserve AED '000	Contingency reserve AED '000	Total AED '000
Balance at 31 December 2011 (audited) and 31 March 2012 (unaudited)	196,348	303,750	725,210	3,316	1,228,624
Balance at 31 December 2012 (audited) and 31 March 2013 (unaudited)	**216,705**	**303,750**	**776,103**	**4,156**	**1,300,714**

7.1 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.

7.2 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.

7.3 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.

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2013 (continued)

7. Reserves (continued)

7.4 Contingency Reserve

In accordance with Article 20 (2) (c) amended by Royal Decree No. 35/95 of the Oman Insurance Companies Law 1979 and in accordance with the Capital Market Authority's letter, CMA 4952/2005 dated 22 November 2005, 10% of the net outstanding claims of the Oman branch at the reporting date is transferred from retained earnings to a contingency reserve. In case of insufficient retained earnings or accumulated loss position, the transfer is adjusted against the head office current account balance. The reserve is not available for distribution.

8. Bank borrowings

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Long term loans	**73,440**	128,520
Bank overdrafts	**105,143**	-
	178,583	128,520

Long term loans include:

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

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

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

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

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

9. Basic earnings per share

	Three months period ended 31 March	
	2013 (unaudited)	2012 (unaudited)
Profit for the period attributable to owners of the Company (AED '000)	**75,151**	79,700
Weighted average number of shares	**461,872,125**	461,872,125
Basic earnings per share (AED)	**0.16**	0.17

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2013 (continued)

9. Basic earnings per share (continued)

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

10. Cash and cash equivalents

	Three months period ended 31 March	
	2013	2012
	(unaudited)	(unaudited)
	AED '000	AED '000
Deposits with banks maturing within 3 months	**70,718**	35,716
Bank balances and cash included in cash and cash equivalents	**308,146**	251,693
	378,864	287,409
Less: Bank overdrafts	**(105,143)**	(3,044)
	273,721	284,365

11. 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.

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

	31 March 2013	31 December 2012
	(unaudited)	(audited)
	AED '000	AED '000
Cash and bank balances	**356,356**	403,624
Statutory deposits	**10,000**	10,000
Net insurance receivables	**45,871**	37,293
Net insurance payable	**3,495**	8,011
Bank overdrafts	**105,143**	-

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2013 (continued)

11. Related party transactions (continued)

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

	Three months period ended 31 March	
	2013	2012
	(unaudited)	(unaudited)
	AED '000	AED '000
Premiums	**42,672**	63,840
Claims	**16,204**	21,741
Finance costs	**36**	2,788

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

11.3 ***Compensation of key management personnel***

	Three months period ended 31 March	
	2013	2012
	(unaudited)	(unaudited)
	AED '000	AED '000
Directors' fees	**-**	2,250
Salaries and benefits	**499**	450
End of service benefits	**22**	-
Total compensation paid to the key management Personnel	**521**	2,700

12. Contingent liabilities

At 31 March 2013, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 47,619 thousand (31 December 2012: AED 48,719 thousand).

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

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2013 (continued)

13. Commitments

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
13.1 Capital commitments		
Commitments in respect of uncalled subscription of certain shares held as investments	**10,824**	12,154

13.2. Operating lease commitments

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

	31 March 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Within one year	**4,521**	7,902
Second to fifth year	**5,887**	6,468

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2013 (continued)

14. Locations of assets

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

	31 March 2013 (unaudited)			31 December 2012 (audited)		
	In U.A.E.	**In other countries**	**Total**	In U.A.E.	In other countries	Total
	AED '000	**AED '000**	**AED '000**	AED '000	AED '000	AED '000
Property and equipment	**22,269**	**3,593**	**25,862**	20,301	2,852	23,153
Investment properties	**361,244**	**-**	**361,244**	361,244	-	361,244
Financial investments designated at fair value through comprehensive income (FVTOCI)	**253,869**	**135,673**	**389,542**	371,960	61,745	433,705
Financial investments at FVTPL	**207,822**	**559,884**	**767,706**	157,504	553,246	710,750
Financial investments measured at amortised cost	**11,059**	**44,188**	**55,247**	-	45,497	45,497
Bank balances and cash	**545,405**	**343,705**	**889,110**	658,470	221,231	879,701
	1,401,668	**1,087,043**	**2,488,711**	1,569,479	884,571	2,454,050

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2013 (continued)

15. Segment information

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

	Three months period ended 31 March (unaudited)					
	General insurance		Life assurance		Total	
	2013	2012	**2013**	2012	**2013**	2012
	AED '000	AED '000	**AED '000**	AED '000	**AED '000**	AED '000
Gross insurance premium	**438,333**	423,325	**456,776**	481,782	**895,109**	905,107
Net underwriting profit	**42,980**	32,386	**12,680**	30,409	**55,660**	62,795
Net investment income					**23,262**	22,636
Finance costs					**(6,696)**	(5,731)
Profit before tax					**72,226**	79,700
Income tax					**(1,608)**	-
Profit for the period					**70,618**	79,700
Attributable to:						
Owners of the Company					**75,151**	79,700
Non-controlling interests					**(4,533)**	-
Profit for the period					**70,618**	79,700

	31 March 2013 (unaudited)			
	General insurance AED '000	**Life assurance AED '000**	**Investment AED '000**	**Total AED '000**
Segment assets	**1,542,709**	**1,361,251**	**2,154,703**	**5,058,663**
Segment liabilities	**2,132,873**	**1,231,496**	**73,440**	**3,437,809**
Capital expenditure	**4,385**	**-**	**-**	**4,385**
Depreciation	**1,526**	**150**	**-**	**1,676**

Notes to the condensed consolidated financial statements for the three months period ended 31 March 2013 (continued)

15. Segment information (continued)

	31 December 2012 (audited) General insurance AED '000	Life assurance AED '000	Investment AED '000	Total AED '000
Segment assets	1,442,603	954,392	2,214,947	4,611,942
Segment liabilities	1,942,393	952,149	128,520	3,023,062
Capital expenditure	6,452	40	108	6,600
Depreciation	11,161	598	-	11,759

16. Seasonality of results

Other investment income includes dividends income of AED 8,426 thousand for the three months period ended 31 March 2013 (31 March 2012: AED 18,233thousand), which is of a seasonal nature.

17. Comparative amounts

The following amounts in the condensed consolidated income statement for prior period have been reclassified to conform to the current period presentation.

	As previously reported for the three months period ended 31 March 2012 (Unaudited) AED'000	Reclassifications (Unaudited) AED'000	As reclassifed for the three months period ended 31 March 2012 (Unaudited) AED'000
General and administrative expenses relating to underwriting activities	51,164	10,147	61,311
Other expenses – net	10,147	(10,147)	-
	61,311	-	61,311

There was no impact on the reported profit of the prior period due to the above reclassifications.

18. Dividends

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

19. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 15 May 2013.