Orient Insurance Company (PJSC) and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

Ernst & Young
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ORIENT INSURANCE COMPANY (PJSC)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Orient Insurance Company (PJSC) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statement of income, consolidated statement of other 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 the applicable provisions of the articles of association of Orient Insurance Company (PJSC) , the UAE Commercial Companies Law of 1984 (as amended) and the UAE Federal Law No. (6) of 2007. The management is responsible for such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, 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 the 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF ORIENT INSURANCE COMPANY (PJSC) (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended), UAE Federal Law No. (6) of 2007 and the articles of association of Orient Insurance Company (PJSC) ; proper books of account have been kept by the Company; an inventory was duly carried out, and the contents of the report of the Board of Directors relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended), UAE Federal Law No. (6) of 2007, or of the articles of association of Orient Insurance Company (PJSC) have occurred during the year which would have had a material effect on the business of Orient Insurance Company (PJSC) or on its financial position.

Ernst + Young

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

30 January 2014

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	2013 AED'000	2012 (Restated*) AED'000
ASSETS			
Property and equipment	6	**123,582**	125,939
Investment securities	7	**1,006,146**	675,453
Insurance contract assets	14	**883,427**	859,466
Insurance receivables	8	**291,799**	243,303
Prepayments and other receivables		**15,054**	38,396
		2,320,008	1,942,557
Deposits with banks	9	**1,008,931**	844,545
Cash and cash equivalents	10	**101,887**	73,073
		1,110,818	917,618
TOTAL ASSETS		**3,430,826**	2,860,175
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	11	**405,000**	405,000
Statutory reserve	12	**101,250**	101,250
Legal reserve	12	**175,452**	152,331
Exceptional loss reserve	12	**123,100**	107,740
General reserve	12	**405,603**	293,434
Retained earnings	12	**15,010**	10,851
Available-for-sale reserve	12	**358,464**	41,967
Foreign currency translation reserve	12	**(32,573)**	(16,160)
Proposed dividends	13	**81,000**	81,000
		1,632,306	1,177,413
Non-controlling interests		**36,806**	46,926
Total equity		**1,669,112**	1,224,339
Liabilities			
Insurance contract liabilities	14	**1,276,391**	1,215,005
Reinsurance payables		**232,279**	202,552
Amounts held under reinsurance treaties		**124,771**	117,639
Other payables and accruals	15	**126,350**	97,624
Payable to policy holders of unit linked products		**1,923**	3,016
Total liabilities		**1,761,714**	1,635,836
TOTAL EQUITY AND LIABILITIES		**3,430,826**	2,860,175

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made, refer Note 3.

These consolidated financial statements were approved by the Board of Directors on 30 January 2014 and signed on its behalf by:



..... Chairman

..... Vice Chairman

The attached notes 1 to 22 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME
Year ended 31 December 2013

	Notes	2013 AED'000	2012 (Restated*) AED'000
UNDERWRITING INCOME			
Gross premiums			
Insurance contracts premium	14	**1,596,631**	1,426,209
Movement in provision for unearned premiums	14	**(85,001)**	(58,653)
Insurance premium revenue	14	**1,511,630**	1,367,556
Less: **Reinsurers' share of premium**			
Insurance contracts premium	14	**1,115,100**	1,020,033
Movement in provision for unearned premiums	14	**(49,697)**	(35,051)
		1,065,403	984,982
Net insurance premium revenue		**446,227**	382,574
Commission income		**138,777**	139,950
Total underwriting income		**585,004**	522,524
UNDERWRITING EXPENSES			
Claims paid	14	**596,174**	586,165
Less: re-insurance share	14	**(401,082)**	(427,675)
Net claims	14	**195,092**	158,490
Increase in outstanding claims		**31,019**	27,055
Claims incurred		**226,111**	185,545
Commission expenses		**96,783**	85,622
General and administration expenses		**121,761**	111,093
Total underwriting expenses		**444,655**	382,260
NET UNDERWRITING INCOME		**140,349**	140,264
INVESTMENT INCOME			
Interest income		**36,498**	42,054
Dividend income		**55,342**	34,630
Rental and other income		**3,730**	4,133
Fair value gain on investments carried at fair value through profit or loss		**7,337**	1,242
Total investment income		**102,907**	82,059
PROFIT BEFORE TAX		**243,256**	222,323
Income tax expense	5	**(3,252)**	(2,793)
PROFIT AFTER TAX		**240,004**	219,530
Attributable to:			
Equity holders of the parent		**235,809**	214,549
Non-controlling interests		**4,195**	4,981
		240,004	219,530
Basic and diluted earnings per share (AED) attributable to equity holders of the parent	17	**58.22**	52.98

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made, refer Note 3.

The attached notes 1 to 22 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013	*2012 (Restated*)*
	AED'000	*AED'000*
Profit for the year	**240,004**	219,530
Other comprehensive income		
Other comprehensive income be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(33,933)**	(23,328)
Net unrealised gain on available -for- sale investments	**316,497**	43,919
Total comprehensive income for the year	**522,568**	240,121
Attributable to:		
Equity holders of parent	**535,893**	247,334
Non-controlling interests	**(13,325)**	(7,213)
	522,568	240,121

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made, refer Note 3.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2013

	Notes	2013 AED'000	2012 (Restated*) AED'000
OPERATING ACTIVITIES			
Profit before tax for the year		**243,256**	222,323
Adjustments for:			
Depreciation	6	**6,818**	6,753
Gain on sale of property and equipment		**(58)**	(379)
Interest income		**(36,498)**	(42,054)
Dividend income		**(55,342)**	(34,630)
Fair value gain on investments at fair value through profit or loss		**(7,337)**	(1,242)
Operating profit before changes in operating assets and liabilities		**150,839**	150,771
Insurance receivables		**(48,496)**	(33,474)
Insurance contract assets		**(23,961)**	(142,299)
Prepayments and other receivables		**23,342**	(10,606)
Insurance contract liabilities		**61,386**	176,992
Reinsurance payables		**29,727**	1,925
Amount held under reinsurance treaties		**7,132**	6,262
Payable to policy holders of unit linked products		**(1,093)**	3,016
Other payables and accruals		**28,991**	1,936
Income tax paid	5	**(3,518)**	(1,568)
Net cash from operating activities		**224,349**	152,955
INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(4,603)**	(4,268)
Proceeds from sale of property and equipment		**200**	673
Interest income		**36,498**	42,054
Deposits with banks		**(164,386)**	410,205
Purchase of held to maturity investments		**(12,820)**	(15,921)
Purchase of available-for-sale investments		**(1,791)**	(506,179)
Sale of available for sale investments		**7,753**	3,567
Net cash used in investing activities		**(139,149)**	(69,869)
FINANCING ACTIVITIES			
Dividends received		**55,342**	34,630
Dividends paid	13	**(81,000)**	(83,983)
Share capital paid by non-controlling interests		**3,205**	-
Net cash used in financing activities		**(22,453)**	(49,353)
INCREASE IN CASH AND CASH EQUIVALENTS		**62,747**	33,733
Cash and cash equivalents at 1 January	10	**73,073**	62,668
Movement in foreign currency translation reserve		**(33,933)**	(23,328)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**101,887**	73,073

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made, refer Note 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 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 reserve AED'000*	*Foreign currency translation reserve AED'000*	*Proposed dividend AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total AED'000*
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 year	-	-	-	-	-	235,809	-	-	-	235,809	4,195	240,004
Other comprehensive income for the year	-	-	-	-	-	-	316,497	(16,413)	-	300,084	(17,520)	282,564
Total comprehensive income	-	-	-	-	-	235,809	316,497	(16,413)	-	535,893	(13,325)	522,568
Increase in paid up share capital	-	-	-	-	-	-	-	-	-	-	3,205	3,205
Transfers	-	-	23,121	15,360	112,169	(150,650)	-	-	-	-	-	-
Dividend paid	-	-	-		-	-	-	-	(81,000)	(81,000)	-	(81,000)
Dividend proposed	-	-	-	-	-	(81,000)	-	-	81,000	-	-	-
At 31 December 2013	**405,000**	**101,250**	**175,452**	**123,100**	**405,603**	**15,010**	**358,464**	**(32,573)**	**81,000**	**1,632,306**	**36,806**	**1,669,112**

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made, refer Note 3.

The attached notes 1 to 22 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 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 reserve AED'000*	*Foreign currency translation reserve AED'000*	*Proposed dividend AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total AED'000*
At 1 January 2012	375,000	93,750	131,325	92,635	243,592	752	(1,952)	(3,649)	75,000	1,006,453	12,876	1,019,329
Change in accounting policies (Note 3)	-	-	-	-	(6,999)	7,002	-	(1,377)	-	(1,374)	50,246	48,872
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 year*	-	-	-	-	-	214,549	-	-	-	214,549	4,981	219,530
Other comprehensive income for the year*	-	-	-	-	-	-	43,919	(11,134)	-	32,785	(12,194)	20,591
Total comprehensive Income*	-	-	-	-	-	214,549	43,919	(11,134)	-	247,334	(7,213)	240,121
Capitalisation of reserves	30,000	-	-	-	(30,000)	-	-	-	-	-		-
Transfers	-	7,500	21,006	15,105	86,841	(130,452)	-	-	-	-		-
Dividend paid	-	-	-	-	-	-	-	-	(75,000)	(75,000)	(8,983)	(83,983)
Dividend proposed	-	-	-	-	-	(81,000)	-	-	81,000	-		-
At 31 December 2012 *(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

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made, refer Note 3.

The attached notes 1 to 22 form part of these consolidated financial statements

1 CORPORATE INFORMATION

Orient Insurance Company (PJSC) (formerly Arab Orient Insurance Company (PSC)) was incorporated with limited liability on 22 July 1980 in the Emirate of Dubai by a decree of His Highness The Ruler of Dubai and commenced operations on 1 January 1982. The Company was registered in accordance with the UAE Federal Law No.(9) of 1984, as amended, ("The Insurance Companies Law") on 29 December 1984 with registration No.14. On 2 May 1988 the Company was converted into a public shareholding company in accordance with the requirements of the Insurance Companies Law and has since been registered under UAE Federal Law No.(8) of 1984, as amended, relating to commercial companies. The Company is subject to the regulations of UAE Federal Law No. 6 of 2007, on Establishment of Insurance Authority and organisation of its operations. The registered address of the Company is P.O. Box 27966, Dubai United Arab Emirates. The holding company of the Group is Al Futtaim Development Services Company which is based in Dubai, United Arab Emirates and has a significant influence over the Group.

The Company engages in the business of issuing short term insurance contracts in connection with Property, Engineering, Motor, Marine, Miscellaneous Accidents and Medical (collectively referred as General Insurance) and Group Life and Individual Life classes (collectively referred as Life Insurance). The Company's insurance portfolio includes a relatively small number of life assurance contracts all of which are long term insurance contracts. The Company also invests its funds in investment securities.

The Company has established subsidiary companies in Syria, Egypt, Sri Lanka and Turkey. The commercial activities of the subsidiary in Turkey have not commenced as at the date of the statement of financial position.

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

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

2.1 BASIS OF PREPARATION

Accounting convention
The consolidated financial statements are prepared under the historical cost convention except for certain financial instruments that have been measured at amortised cost or fair value as explained in the accounting policies in note 2.5. The consolidated financial statements have been presented in UAE Dirhams and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

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

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates Laws.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013.

The subsidiaries are fully consolidated from the date of formation, being the date on which the Group obtained control and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

		Country of	*Ownership*	
Subsidiaries	*Principal activity*	*incorporation*	*2013*	*2012*
*Arab Orient Insurance Company	General insurance	Syria	40%	40%
Arab Orient Takaful Insurance (S.A.E)	General insurance	Egypt	60%	60%
Orient Insurance Limited	General insurance	Sri Lanka	100%	100%
Orient Sigorta Anomin Sirketi	General insurance	Turkey	100%	100%

2.2 BASIS OF CONSOLIDATION (continued)

* The application 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 the Group's consolidated financial statements retrospectively from the date when the Company obtained control. The effect of IFRS 10 is described in more detailed in Note 3, which includes quantification of the effect on the consolidated financial statements.

Non-controlling interests represent the portion of the profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of other comprehensive income and consolidated statement of changes in equity, separately from shareholder's equity.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions, are eliminated in full.

Total comprehensive losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

Derecognises the assets (including goodwill) and liabilities of the subsidiary
Derecognises the carrying amount of any non-controlling interest
Derecognises the cumulative translation differences, recorded in equity
Recognises the fair value of the consideration received
Recognises the fair value of any investment retained
Recognises any surplus or deficit in profit or loss
Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations

The Group applied, 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. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities resulted in additional disclosures in the consolidated financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of each new standard and 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.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IAS 1 Clarification of the requirement for comparative information (Amendment)
These amendments clarify 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 amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements, does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information for the notes related to the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Group's financial position or performance.

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 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 discloses in its interim consolidated financial statements, the condensed total segment liabilities as these are reported to the CODM.

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 insignificant 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.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

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.

The adoption of IFRS 10 resulted in the establishment of 'de facto' control over one of the Group's investee Arab Orient Insurance Company, Syria which was previously accounted for all financial years up to 31 December 2012 as an associate. This entity is consolidated in the Group's consolidated financial statements retrospectively from the date when the Group obtained control. Non-controlling interests have been recognised at a proportionate share of the net assets of the subsidiary. The opening balance at 1 January 2012 and comparative information for the year ended 31 December 2012 have been restated in the consolidated financial statements and the quantitative impact is disclosed in note 3 to the consolidated financial statements.

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 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities, IFRS 12 disclosures are not considered significant for disclosure in the consolidated financial statements.

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. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. Additional disclosures where required are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 22.

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.

IASB Standards and Interpretations issued at 31 December 2013 but not effective
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards, if applicable, when they become effective.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. The effective date for the standard will be determined upon completion of all phases.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Judgements
Classification of investments
Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, fair value though profit or loss or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Group has the intention and ability to hold these to maturity.

The Group classifies investments as held for trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

All other investments are classified as available-for-sale.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Operating lease commitments-group as lessor

The Group has entered into commercial property lease on its property and equipment. The Group, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of its property and so accounts for them as operating leases.

Estimates & assumptions

Impairment losses on available for sale investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Impairment losses on held-to-maturity investments

The Group reviews its individually significant held-to-maturity investments at each statement of financial position date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Impairment losses on receivables

Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the inability to pay all amounts due as per contractual terms.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Medical and Group life insurance

The assumptions used in actuarial valuations for unearned premium reserves for medical and group life business are based on experience relating to insurance industry.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims, whether reported or not

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

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

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported regularly.

All insurance contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Revenue recognition

Insurance premium revenue

Gross premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. The proportion attributable to subsequent periods is deferred as unearned premium reserve.

Reinsurance premiums

Reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Commission income

Commissions income on policies written is recognised at the time the reinsurance premium is ceeded.

Interest income

Interest income is recognised in the consolidated statement of income as it accrues and is calculated by using the effective interest rate method.

Other income

- Dividend income is accounted for when the right to receive payment is established.
- Rental income is recognised as income over the period to which it relates.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries made are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the statement of financial position date.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims (continued)
The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the consolidated statement of income for that year. Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Commission expenses
Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the consolidated statement of income when incurred.

Leases
Group as a lessee
The Group has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Foreign currencies
Foreign currency transactions are recorded at rates of exchange ruling at the value dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into UAE Dirhams at middle market rates of exchange ruling at the date of statement of financial position. Any resultant gains and losses are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated statement of income, except for differences relating to items where gains or losses are recognised directly in equity, in which case the gain or loss is recognised net of the exchange component in equity.

The assets and liabilities of the subsidiaries are translated into UAE Dirhams at the rate of exchange prevailing at the statement of financial position date and the statement of income is translated at average exchange rates for the period.

Property and equipment
Depreciation is calculated on a straight line basis over the estimated useful lives of property and equipment as follows:

Building	25 years
Furniture and fixtures	4 to 7 years
Office equipment	3 to 5 years
Motor vehicles	5 years

No depreciation is charged on freehold land.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their value less costs to sell or their value in use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognised.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other repairs and maintenance expenditure is recognised in the consolidated statement of income as the expense is incurred.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through income statement, loans and receivables, held-to-maturity investments and available-for-sale investments or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. All financial assets are recognised initially at fair value, plus, in the case of investments not at fair value through income statement, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances and short term deposits, trade receivables, insurance receivables and quoted and unquoted financial instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of income.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition (continued)

Held to maturity

Non-derivative financial assets which have fixed or determinable payments are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are carried at amortised cost using the effective interest rate method, less provision for impairment in value.

Available-for-sale

Available-for-sale investments include equity and debt securities. These are non-derivative financial assets that are designated as available-for-sale and which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, these investments are measured at fair value. Fair value gains and losses are recognised as other comprehensive income until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported as other comprehensive income is transferred to the consolidated statement of income.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Impairment of financial assets

An assessment is made at each statement of consolidated financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets (excluding goodwill)

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and insurance contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through income statement

Financial liabilities at fair value through income statement includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through income statement.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through income statement.

Insurance contract liabilities

Unearned premium reserve

The unearned premium reserve represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date.Unearned premiums relating to general insurance business are computed based on percentages of net premium written and are at least equal to the minimum stipulated in the Insurance Laws of the respective region. Unearned premium reserves for medical and group life business are calculated based on independent actuarial valuation as required by Article 44 of the UAE Insurance Companies Law and Insurance Laws of the respective countries where subsidiaries are registered.

Outstanding claims

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the statement of financial position date. The liability is not discounted for the time value of money. The liability is derecognised when the contract expires, is discharged or is cancelled.

Other payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods and services rendered, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits
The Group provides end of service benefits to its employees employed in the UAE in accordance with the UAE Labour Law and for employees employed in the Oman branch of the Group and subsidiary Companies in accordance with the respective region's labour Law. The entitlement of these benefits is based upon employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its U.A.E. national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Interest expense
Interest paid is recognised in the consolidated statement of income as it accrues and is calculated by using the effective interest rate method.

Liability adequacy test
At each statement of financial position date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision created. The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Reinsurance contracts held
The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. These amounts are shown as "reinsurance assets" in the statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to "insurance receivables".

Gains or losses on buying reinsurance are recognised in the consolidated statement of income immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policy holders.

At each reporting date, the Group assesses whether there is any indication that a reinsurance asset may be impaired. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognised in the consolidated statement of income.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is legally enforceable right to offset the recognised amounts, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by an accounting standard or interpretation.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

For financial instruments traded in active markets, fair value at each reporting date is determined by reference to Stock Exchange quoted market bid prices, without any deduction for transaction costs.

For financial instruments not traded in active market, fair value is determined by reference to the current market value of a similar instrument, recent arm's length market transactions or is based on the expected discounted cash flows or any other valuation model.

Segment reporting
The Group's segmental reporting is based on the following operating segments: General insurance, Life assurance and Investment segment.

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

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

The Group does not have any investment contracts or any insurance contracts with Discretionary Participation Features (DPF).

3 APPLICABILITY OF IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS AND IAS 27 SEPARATE FINANCIAL STATEMENTS

The Group has a 40% interest in Arab Orient Insurance Company, a public shareholding company, registered and incorporated in Syria and is engaged in General Insurance business. The group has consolidated Arab Orient Insurance Company, Syria retrospectively, as required by the provisions of IFRS 10.

Based on the requirements of IFRS 10, 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 as an associate. Upon adoption of IFRS 10, the Group has determined its interest to be a subsidiary and it is required to be consolidated. The effect of applying IFRS 10 is as follows:

Impact on the statement of financial position (increase /(decrease) in net equity):	***31 December 2012*** *AED'000*
Assets	
- Property and equipment	3,621
- Investment in associated company	(29,847)
- Investment securities	72
- Reinsurance assets	8,115
- Insurance receivables	5,152
- Prepayments and other receivables	29,509
- Deposits with banks	73,807
- Cash and cash equivalents	3,575
	94,004
Liabilities	
- Insurance contract liabilities	56,336
- Reinsurance payables	1,533
- Amounts held under reinsurance treaties	5,469
- Other payables and accruals	4,059
	67,397
Equity	
- General reserve	(6,547)
- Other reserves	9,741
- Foreign currency translation reserve	(8,517)
- Non controlling interests	31,930
	26,607
	94,004

Impact on the statement of income (increase/(decrease) in profit):	***31 December 2012*** *AED'000*
- Underwriting income	24,787
- Underwriting expenses	(24,628)
- Investment income	8,934
- Share of associates results	(2,161)
- Income tax expense	(880)
- Profit for the period	6,052

Earnings per share for year ended 31 December 2012, increased from AED 52.19 per share to AED 52.98 per share.

Impact on the statement of cash flows (increase/(decrease) in cash flows):*31 December 2012*	*AED'000*
- Cash flows from operating activities	(31,506)
- Cash flows from investing activities	64,036
- Cash flows from financing activities	(15,733)

4 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2013 ***AED'000***	*2012* *AED'000* *(Restated)*
Staff costs	**87,216**	74,978
Rental costs – Operating leases	**4,679**	4,024

5 INCOME TAXES

The Group entities operate in the Sultanate of Oman, Egypt, Srilanka & Syria and are subject to income tax in these countries.

The component of income tax recognised in the consolidated statement of income is as follows:

	2013 ***AED'000***	*2012* *AED'000*
Current year	**3,252**	2,793

Movements in the income tax payable recognised in the consolidated statement of financial position are as follows:

	2013 ***AED'000***	*2012* *AED'000*
Provision as at 1 January	**2,640**	1,794
Provided during the year	**3,252**	2,793
Taxes paid during the year	**(3,518)**	(1,568)
Exchange differences	**(534)**	(379)
Balance as at 31 December	**1,840**	2,640

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

6 PROPERTY AND EQUIPMENT

	Land AED'000	*Building AED'000*	*Office equipment, furniture and fixtures AED'000 (Restated)*	*Motor vehicles AED'000 (Restated)*	*Total AED'000 (Restated)*
Cost:					
At 1 January 2013	20,000	96,456	22,813	1,821	141,090
Additions	-	-	4,099	504	4,603
Disposals	-	-	(295)	(494)	(789)
At 31 December 2013	**20,000**	**96,456**	**26,617**	**1,831**	**144,904**
Depreciation:					
At 1 January 2013	-	3,932	10,277	942	15,151
Depreciation charge for the year	-	3,858	2,670	290	6,818
Relating to disposals	-	-	(294)	(353)	(647)
At 31 December 2013	**-**	**7,790**	**12,653**	**879**	**21,322**
Net carrying amount:					
At 31 December 2013	**20,000**	**88,666**	**13,964**	**952**	**123,582**

	Land AED'000	*Building AED'000*	*Office equipment, furniture and fixtures AED'000 (Restated)*	*Motor vehicles AED'000 (Restated)*	*Total AED'000 (Restated)*
Cost:					
At 1 January 2012	20,000	96,456	19,041	2,347	137,844
Additions	-	-	3,843	425	4,268
Disposals	-	-	(71)	(951)	(1,022)
At 31 December 2012	20,000	96,456	22,813	1,821	141,090
Depreciation:					
At 1 January 2012	-	74	7,844	1,208	9,126
Depreciation charge for the year	-	3,858	2,485	410	6,753
Relating to disposals	-	-	(52)	(676)	(728)
At 31 December 2012	-	3,932	10,277	942	15,151
Net carrying amount:					
At 31 December 2012	20,000	92,524	12,536	879	125,939

The depreciation charge for the year of AED 6,818 thousand (2012: AED 6,753 thousand) has been included in general and administrative expenses.

7 INVESTMENT SECURITIES

	Carrying value		*Fair Value*	
	2013 ***AED'000***	*2012 AED'000 (Restated)*	***2013*** ***AED'000***	*2012 AED'000 (Restated)*
Investments carried at fair value through profit or loss				
Managed portfolios				
- outside UAE	**1,902**	1,825	**1,902**	1,825
	1,902	1,825	**1,902**	1,825
Held for trading-quoted shares				
- (within UAE)	**15,110**	7,849	**15,110**	7,849
	17,012	9,674	**17,012**	9,674
Held to maturity				
Debt				
Unquoted (outside UAE)	**73,402**	60,582	**73,402**	60,582
	73,402	60,582	**73,402**	60,582
Available-for-sale investments				
Debt				
Quoted (within UAE)	**9,698**	9,100	**9,698**	9,100
Unquoted (outside UAE)	**7,421**	13,442	**7,421**	13,442
	17,119	22,542	**17,119**	22,542
Equity				
Quoted (within UAE)	**859,464**	543,517	**859,464**	543,517
Quoted – investments held on behalf of policy holders of unit linked products	**1,923**	3,016	**1,923**	3,016
Unquoted (within UAE)	**37,226**	36,122	**37,226**	36,122
	898,613	582,655	**898,613**	582,655
	915,732	605,197	**915,732**	605,197
	1,006,146	675,453	**1,006,146**	675,453

Unquoted equity securities are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at reliable fair values.

Unquoted, held to maturity investments include investments under lien to comply with Insurance regulatory requirements in Egypt.

8 INSURANCE RECEIVABLES

	31 December 2013 AED'000	*31 December 2012 AED'000 (Restated)*
Premiums receivable	**185,582**	160,325
Due from reinsurance companies	**52,209**	37,896
Due from related parties (note 18)	**54,008**	45,082
	291,799	243,303

All the above amounts are due within twelve months of the statement of financial position date. The reinsurers' share of claims not recovered by the Group at the statement of financial position date is disclosed in note 14. The amounts due from treaty reinsurers are normally settled on a quarterly basis.

As at 31 December 2013, premiums and insurance companies' balances at nominal value of AED 17,370 thousand (2012: AED 15,841 thousand) were impaired.

Movements in the allowance for impairment of receivables were as follows:

	2013 AED'000	*2012 AED'000 (Restated)*
At 1 January	**15,841**	12,046
Charge for the year	**1,529**	3,795
At 31 December	**17,370**	15,841

9 DEPOSITS WITH BANKS

Deposits with banks include the following:

		2013 AED'000	*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
b)	Amounts under lien with Capital Market Authority, Sultanate of Oman towards license of Muscat branch	**17,746**	17,746
c)	Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**478**	478
d)	Amounts under lien with Insurance Authority Syria	**650**	1,296
e)	Amounts under lien with Egyptian Financial Supervisory Authority	**18,664**	15,962
f)	Amounts under lien with Turkey Treasury, Turkey	**10,274**	-
g)	Fixed term deposits maturing after three months	**951,119**	799,063
		1,008,931	844,545

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following statement of financial position amounts:

	2013 AED'000	*2012 AED'000 (Restated)*
Bank balances and cash	**58,287**	73,073
Deposits with banks maturing within three months	**43,600**	-
	101,887	73,073

11 SHARE CAPITAL

	2013 AED'000	*2012 AED'000*
Issued and fully paid 4,050,000 shares of AED 100 each (2012: 4,050,000 shares of AED 100 each)	**405,000**	405,000

12 RESERVES

NATURE AND PURPOSE OF RESERVES

- **STATUTORY RESERVE**

In accordance with the Company's Articles of Association, the company has resolved not to increase the statutory reserve above an amount equal to 25% of its paid up capital. Accordingly, the transfer to statutory reserve was discontinued as the reserve has already reached 25% of the paid up capital. 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 has been transferred to the legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. 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 transferred to an exceptional loss reserve to ensure that the Company has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years.

- **GENERAL RESERVE**

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

- **AVAILABLE-FOR-SALE 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.

13 PROPOSED DIVIDENDS

Dividends of AED 20 per share (totalling AED 81 million) relating to the year 2012 were declared and paid during the year. During 2012, dividends of AED 20 per share (totalling AED 75 million) relating to the year 2011 were declared and paid.

The Board of Directors has proposed a cash dividend amounting to AED 81 million at AED 20 per share for the year 2013. This is subject to the approval of the shareholders at the Annual General Meeting to be held during 2014.

14 INSURANCE CONTRACT ASSETS AND LIABILITIES

	Gross		*Reinsurers' share*		*Net*	
	2013 AED'000	*2012 AED'000 (Restated)*	***2013 AED'000***	*2012 AED'000 (Restated)*	***2013 AED'000***	*2012 AED'000 (Restated)*
Unearned premium reserve (note 14A)	**693,670**	619,559	**(485,614)**	(439,450)	**208,056**	180,109
Deferred acquisition cost	**(509)**	(571)	**193**	143	**(316)**	(428)
Outstanding claims (note 14B)	**583,230**	596,017	**(398,006)**	(420,159)	**185,224**	175,858
	1,276,391	1,215,005	**(883,427)**	(859,466)	**392,964**	355,539

14 (A)NET INSURANCE PREMIUM REVENUE

Year 2013

	General Insurance			*Life Insurance*			*Total*		
	Gross AED'000	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***
Gross premiums	**1,475,716**	**(1,033,693)**	**442,023**	**120,915**	**(81,407)**	**39,508**	**1,596,631**	**(1,115,100)**	**481,531**
Movement in provision for unearned premiums	**(77,060)**	**46,509**	**(30,551)**	**(7,941)**	**3,188**	**(4,753)**	**(85,001)**	**49,697**	**(35,304)**
Insurance premium revenue	**1,398,656**	**(987,184)**	**411,472**	**112,974**	**(78,219)**	**34,755**	**1,511,630**	**(1,065,403)**	**446,227**
Unearned premium as of 31 December	**648,524**	**(455,543)**	**192,981**	**45,146**	**(30,071)**	**15,075**	**693,670**	**(485,614)**	**208,056**

Year 2012 (Restated)

	General Insurance			*Life Insurance*			*Total*		
	Gross AED'000	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*
Gross premiums	1,312,544	(936,904)	375,640	113,665	(83,129)	30,536	1,426,209	(1,020,033)	406,176
Movement in provision for unearned premiums	(54,263)	31,988	(22,275)	(4,390)	3,063	(1,327)	(58,653)	35,051	(23,602)
Insurance premium revenue	1,258,281	(904,916)	353,365	109,275	(80,066)	29,209	1,367,556	(984,982)	382,574
Unearned premium as of 31 December	582,113	(412,518)	169,595	37,446	(26,932)	10,514	619,559	(439,450)	180,109

14 (B) OUTSTANDING CLAIMS

	General Insurance AED'000	***Life Assurance AED'000***	***Total AED'000***
At 31 December 2012 (Restated):			
Outstanding claims	**568,413**	**27,604**	**596,017**
Due from reinsurers	**(399,785)**	**(20,374)**	**(420,159)**
	168,628	**7,230**	**175,858**
Exchange differences	**(21,653)**	**-**	**(21,653)**
Net increase	**31,019**	**-**	**31,019**
At 31 December 2013:			
Outstanding claims	**555,626**	**27,604**	**583,230**
Due from reinsurers	**(377,632)**	**(20,374)**	**(398,006)**
	177,994	**7,230**	**185,224**

	General Insurance AED'000	*Life Assurance AED'000*	*Total AED'000*
At 31 December 2011:			
Outstanding claims	445,401	24,288	469,689
Due from reinsurers	(293,297)	(17,776)	(311,073)
	152,104	6,512	158,616
Exchange differences	(9,813)	-	(9,813)
Net increase	26,337	718	27,055
At 31 December 2012:			
Outstanding claims	568,413	27,604	596,017
Due from reinsurers	(399,785)	(20,374)	(420,159)
	168,628	7,230	175,858

14 (B) OUTSTANDING CLAIMS (continued)

Outstanding claims
The movement in the provision for outstanding claims, and the related reinsurers' share, is as follows:

	2013			*2012 (Restated)*		
	Gross AED'000	***Reinsurer's share AED'000***	***Net AED'000***	*Gross AED'000*	*Reinsurer's share AED'000*	*Net AED'000*
At 1 January						
Claims incurred	**558,628**	**(418,958)**	**139,670**	436,886	(309,975)	126,911
Claims incurred but not reported	**37,389**	**(1,201)**	**36,188**	32,803	(1,098)	31,705
	596,017	**(420,159)**	**175,858**	469,689	(311,073)	158,616
Insurance claims paid	**(596,174)**	**401,082**	**(195,092)**	(586,165)	427,675	(158,490)
Claims incurred	**610,325**	**(384,214)**	**226,111**	723,614	(538,069)	185,545
Exchange differences	**(26,938)**	**5,285**	**(21,653)**	(11,121)	1,308	(9,813)
At 31 December	**583,230**	**(398,006)**	**185,224**	596,017	(420,159)	175,858
Analysis of outstanding claims						
At 31 December						
Claims incurred	**541,048**	**(396,103)**	**144,945**	558,628	(418,958)	139,670
Claims incurred but not reported	**42,182**	**(1,903)**	**40,279**	37,389	(1,201)	36,188
	583,230	**(398,006)**	**185,224**	596,017	(420,159)	175,858

The amounts due from reinsurers are contractually due as per the terms of reinsurance agreements from the date of the payment of the claims.

There are no material amounts for which amount and timing of claims payment is not resolved within one year of the statement of financial position date.

Claims development table
The following table reflects the cumulative incurred claims, including both claims notified and claims incurred but not reported (IBNR) for each successive accident year at each statement of financial position date, together with cumulative payments to date:

Accident year	***Before 2010 AED' 000***	***2010 AED' 000***	***2011 AED' 000***	***2012 AED' 000*** *(Restated)*	***2013 AED' 000***	*Total AED' 000*
At the end of accident year	-	577,101	650,853	686,897	664,180	
One year later	-	611,198	714,072	668,464	-	
Two years later	-	603,007	696,053	-	-	
Three years later	-	586,430	-	-	-	
Four years later	2,076,986	-	-	-	-	
Current estimate of cumulative claims	2,076,986	586,430	696,053	668,464	664,180	
At the end of accident year	-	(393,555)	(366,624)	(337,029)	(355,833)	
One year later	-	(531,024)	(564,532)	(519,571)	-	
Two years later	-	(555,774)	(612,022)	-	-	
Three years later	-	(564,354)	-	-	-	
Four years later	(2,057,103)	-	-	-	-	
Cumulative payments to date	(2,057,103)	(564,354)	(612,022)	(519,571)	(355,833)	
Total gross outstanding claims	**19,883**	**22,076**	**84,031**	**148,893**	**308,347**	**583,230**

15 OTHER PAYABLES AND ACCRUALS

	2013 ***AED'000***	*2012* *AED'000* *(Restated)*
Provision for staff costs	**14,005**	14,125
Other creditors and accruals	**87,514**	64,927
Employees' end of service benefits (Note 16)	**12,853**	11,113
Amounts due to related parties (Note 18)	**11,978**	7,459
	126,350	97,624

16 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognised in the consolidated statement of financial position is as follows:

	2013 ***AED'000***	*2012* *AED'000*
Provision as at 1 January	**11,113**	10,459
Provided during the year	**2,861**	1,807
End of service benefits paid	**(1,121)**	(1,153)
Provision as at 31 December	**12,853**	11,113

17 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are computed by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding during the year of 4,050,000 shares (2012: 4,050,000). The number of shares outstanding has been adjusted for all periods since the capitalisation of general reserves did not increase the total available resources. No figure for diluted earnings per share has been presented because the Group has not issued any instruments which would have an impact on earnings per share when exercised.

18 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	Al Futtaim Group companies	*Other related parties*	*2013* ***AED'000***	*2012* *AED'000* *(Restated)*
Administrative expenses	17,667	-	**17,667**	17,680
Gross premium written	188,085	583	**188,668**	162,309
Motor vehicle repair charges paid relating to claims	61,847	-	**61,847**	55,405
Rental income	2,005	-	**2,005**	1,629

18 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the consolidated statement of financial position date are as follows:

	2013		*2012 (Restated)*	
	Amounts owed by related parties AED'000	***Amounts owed to related parties AED'000***	*Amounts owed by related parties AED'000*	*Amounts owed to related parties AED'000*
Al Futtaim Group Companies	**54,008**	**11,978**	45,082	7,459

Amounts due from and due to related parties are disclosed in notes 8 and 15 respectively.

Compensation of key management personnel
The remuneration of key management personnel during the year was as follows:

	31 December 2013 AED'000	*31 December 2012 AED'000 (Restated)*
Short-term benefits	**16,588**	13,600
Employees' end of service benefits	**1,049**	520
	17,637	14,120

19 SEGMENT 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. Operating segment information is presented below:

19.1 SEGMENTAL INCOME, EXPENSES AND RESULTS

	General insurance		*Life assurance*		*Total*	
	2013	*2012*	***2013***	*2012*	***2013***	*2012*
	AED'000	*AED'000 (Restated*)*	***AED'000***	*AED'000 (Restated*)*	***AED'000***	*AED'000 (Restated*)*
UNDERWRITING INCOME						
Insurance premium revenue	**1,398,656**	1,258,281	**112,974**	109,275	**1,511,630**	1,367,556
Reinsurers' share of premium	**(987,184)**	(904,916)	**(78,219)**	(80,066)	**(1,065,403)**	(984,982)
Net insurance premiums revenue	**411,472**	353,365	**34,755**	29,209	**446,227**	382,574
Commission income	**129,603**	132,388	**9,174**	7562	**138,777**	139,950
TOTAL INCOME	**541,075**	485,753	**43,929**	36,771	**585,004**	522,524
UNDERWRITING EXPENSES						
Claims incurred	**539,716**	649,825	**70,609**	73,789	**610,325**	723,614
Reinsurers' share of claims	**(323,388)**	(474,067)	**(60,826)**	(64002)	**(384,214)**	(538,069)
Net claims incurred	**216,328**	175,758	**9783**	9,787	**226,111**	185,545
Commission paid	**85,964**	77,670	**10,819**	7,952	**96,783**	85,622
General and administration expenses relating to underwriting activities	**111,211**	101,062	**10,550**	10,031	**121,761**	111,093
TOTAL EXPENSES	**413,503**	354,490	**31,152**	27,770	**444,655**	382,260
NET UNDERWRITING INCOME	**127,572**	131,263	**12,777**	9,001	**140,349**	140,264
INVESTMENT INCOME					**102,907**	82,059
NET INCOME BEFORE TAX					**243,356**	**223,323**

19.2 SEGMENTAL ASSETS & LIABILITIES

	General Insurance		*Life Insurance*		*Investment*		*Total*	
	2013	*2012*	***2013***	*2012*	***2013***	*2012*	***2013***	*2012*
	AED'000	*AED'000 (Restated)*	***AED'000***	*AED'000 (Restated)*	***AED'000***	*AED'000 (Restated)*	***AED'000***	*AED'000 (Restated*)*
Segmental assets	1,308,176	1,243,361	107,573	96,816	2,015,077	1,519,998	3,430,826	2,860,175
Segmental liabilities	1,659,141	1,544,038	102,573	91,798	-	-	1,761,714	1,635,836
Capital expenditure	4,533	4,268	70	-	-	-	4,603	4,268
Depreciation	6,711	6,655	107	98	-	-	6,818	6,753

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made, refer Note 3.

20 RISK MANAGEMENT

The risks faced by the Group and the manner these risks are managed by management are summarised below:

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Senior Managing Director and senior managers.

The senior management meets regularly to approve any commercial, regulatory and organisational decisions. The Senior Managing Director under the authority delegated from the board of directors defines the Group's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management framework

The primary objective of the Group's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

(c) Regulatory framework

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

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

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Senior Managing Director actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

The Senior Managing Director regularly monitors the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance liabilities.

The risks faced by the Group and the way these risks are mitigated by management are summarised below.

20 RISK MANAGEMENT (continued)

20 A Insurance risk

Insurance risk is where the Group agrees to indemnify the insured parties against happening of unforeseen future insured events. The frequency and severity of claims are the main risk factors. As per the practices adopted by the Group, actual claim amounts can vary marginally compared to the outstanding claim reserves but are not expected to have a material impact.

Frequency and Severity of Claims
The frequency and severity of claims can be affected by several factors. The Group underwrites mainly property, engineering, motor, miscellaneous accident, marine, medical and group life and personal accident classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Property
For property insurance contracts, the main perils are fire damage and other allied perils and business interruption resulting therefrom.

These contracts are underwritten either on replacement value or indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption and the basis of insurance are the main factors that influence the level of claims.

Engineering
For engineering insurance contracts, the main elements of risks are loss or damage to insured project works and resultant third party liabilities, loss or damage to insured plant, machinery and equipment and resultant business interruption losses. The extent of the loss or damage is the main factor that influences the level of claims.

Motor
For motor insurance contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

Miscellaneous Accident
For miscellaneous accident classes of insurance such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity, the extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine
In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in the total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Medical, Group Life and Personal Accident
In medical insurance, the main risk elements are illness and accidents and related healthcare costs. For group life and personal accident the main risks elements are claims arising from death and/or permanent or partial disability.

Individual Life
For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits on any single life insured and on all high risk individuals insured are in place.

The Group has adequate reinsurance arrangements to protect its financial viability against such claims for all the above classes.

20 RISK MANAGEMENT (continued)

20 A Insurance risk (continued)

Geographical concentration of risks
The insurance risk arising from insurance contracts is primarily concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to last year.

Reinsurance risk
In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

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

The five largest reinsurers account for 36% of the maximum credit exposure at 31 December 2013 (2012: 39%). The maximum theoretical credit risk exposure in this connection is mainly in Europe.

20 B Financial risk

Financial instrument consists of financial assets and financial liabilities. The Group has no derivative financial instruments.

Financial assets of the Group include cash and cash equivalents, deposits with banks, other receivables, insurance receivables and investment securities,

Financial liabilities of the Group include reinsurance payables, amounts held under reinsurance treaties and other payables and accruals.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised as follows:

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's only exposure to interest rate risk is on account of its investment in floating rate bonds included under available-for-sale investments. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its investment is denominated.

Details of maturities of the major classes of financial assets as at 31 December are as follows:

31 December 2013	*Less than 1 year AED' 000*	*1 to 5 years AED' 000*	*Over 5 years AED' 000*	*Non interest bearing items AED' 000*	*Total AED' 000*	*Effective interest rate*
Investment securities	**35,910**	**54,599**	-	**915,637**	**1,006,146**	**1.55%-12.48%**
Insurance receivables	-	-	-	**291,799**	**291,799**	
Other receivables	-	-	-	**15,054**	**15,054**	
Deposits with banks	**860,726**	**148,205**	-	-	**1,008,931**	**1.4%-14.625%**
Bank balances and cash	-	-	-	**101,887**	**101,887**	
	896,636	**202,804**	-	**1,324,377**	**2,423,817**	

20 RISK MANAGEMENT (continued)

20 B Financial risk (continued)

Interest rate risk (continued)

31 December 2012 *(Restated)*	*Less than 1 year AED' 000*	*1 to 5 years AED' 000*	*Over 5 years AED' 000*	*Non interest bearing items AED' 000*	*Total AED' 000*	*Effective interest rate*
Investment securities	13,370	69,682	-	592,401	675,453	1.6%-12.5%
Insurance receivables	-	-	-	243,303	243,303	
Other receivables	-	-	-	38,396	38,396	
Deposits with banks	844,545	-	-	-	844,545	1.4%-14.6%
Bank balances and cash	-	-	-	73,073	73,073	
	857,915	69,682	-	947,173	1,874,770	

Effective interest rate varies among Group's investments across various countries where it operates.

The sensitivity of Group's consolidated statement of income to reasonably possible changes in interest rates, with all other variables constant is considered insignificant.

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge its foreign currency exposure. Other than balances in United States Dollars to which the UAE Dirham is effectively pegged, the Group has minimal exposure arising from assets and liabilities denominated in other currencies.

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

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices. The Group's equity investments comprise securities quoted on the Stock Exchanges in United Arab Emirates.

The effect on equity (as a result of a change in the fair values of equity instruments- available-for-sale investments at 31 December 2013) and on consolidated statement of income (as a result of changes in fair values of investments carried at fair value through profit or loss at 31 December 2013) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2013			*2012 (Restated)*		
	Change in equity price %	***Effect on equity AED'000***	***Effect on income statement AED'000***	*Change in equity price %*	*Effect on equity AED'000*	*Effect on income statement AED'000*
All investments – (Mainly Dubai Financial Market and Abu Dhabi Stock Market)	10	86,139	1,511	10	54,653	784

20 RISK MANAGEMENT (continued)

20 B Financial risk (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's bank balances are maintained with a range of local banks in accordance with limits set by the board of directors.
- There are no significant concentrations of credit risk within the Group.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	Notes	***31 December 2013 AED'000***	*31 December 2012 AED'000 (Restated)*
Investment securities	7	**1,006,146**	675,453
Insurance receivables	8	**291,799**	243,303
Reinsurance assets	14	**883,427**	859,466
Cash and deposits with banks	9&10	**1,110,818**	917,618
TOTAL CREDIT RISK EXPOSURE		**3,292,190**	2,695,840

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

31 December 2013	***Neither past due nor impaired***				
	Investment grade AED'000	***Non Investment grade (satisfactory) AED'000***	***Non investment grade (unsatisfactory) AED'000***	***Past due or impaired AED'000***	***Total AED'000***
Investment securities	**1,006,146**	-	-	-	**1,006,146**
Insurance receivables	**291,799**	-	-	**17,370**	**309,169**
Reinsurance assets	**883,427**	-	-	-	**883,427**
Cash and deposits with banks	**1,008,931**	**101,887**	-	-	**1,110,818**
					3,309,560
Less: impairment provision					**(17,370)**
					3,292,190

20 RISK MANAGEMENT (continued)

20 B Financial risk (continued)

Credit risk (continued)

31 December 2012(Restated)	*Neither past due nor impaired*				
	Investment grade AED'000	*Non Investment grade (satisfactory) AED'000*	*Non investment grade (unsatisfactory) AED'000*	*Past due or impaired AED'000*	*Total AED'000*
Investment securities	675,453	-	-	-	675,453
Insurance receivables	243,303	-	-	15,841	259,144
Reinsurance assets	859,466	-	-	-	859,466
Cash and deposits with banks	844,545	73,073	-	-	917,618
					2,711,681
Less: impairment provision					(15,841)
					2,695,840

The following table provides an age analysis of receivables arising from insurance and reinsurance contracts past due but not impaired.

	Neither past due nor impaired AED'000	***Past due but not impaired***					
		<120 days AED'000	*120-180 days AED'000*	*>180 days AED'000*	*Total AED'000*	*Past due and impaired AED'000*	*Total AED'000*
31 December 2013	**54,874**	**116,523**	**13,936**	**17,619**	**202,952**	**(17,370)**	**185,582**
31 December 2012*(Restated)*	25,469	115,548	12,444	22,705	176,166	(15,841)	160,325

The Group provides credit facilities upto 120 days. For assets to be classified as 'past due and impaired' contractual payments in arrears are more than 120 days and an impairment adjustment is recorded in the consolidated statement of income for this. When the credit exposure is adequately secured, arrears more than 120 days might still be classified as 'past due but not impaired", with no impairment adjustment recorded.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The table in the following page summarises, in AED'000 the maturity of the assets and liabilities of the Group based on remaining undiscounted contractual obligations. As the Group does not have any interest bearing liabilities, the totals in the table match the statement of financial position.

20 RISK MANAGEMENT (continued)

20 B Financial risk (continued)

Liquidity risk **(continued)**

	31 December 2013				*31 December 2012(Restated)*			
	Less than one year AED'000	*More than one year AED'000*	*No term AED'000*	*Total AED'000*	*Less than one year AED'000*	*More than one year AED'000*	*No term AED'000*	*Total AED'000*
ASSETS								
Property and equipment	-	-	123,582	123,582	-	-	125,939	125,939
Investment in securities	35,910	54,599	915,637	1,006,146	13,370	69,682	592,401	675,453
Insurance receivables	291,799	-	-	291,799	243,303	-	-	243,303
Prepayments and other receivables	15,054	-	-	15,054	38,396	-	-	38,396
Insurance contract assets	883,427	-	-	883,427	859,466	-	-	859,466
Cash and short term deposits	962,613	148,205	-	1,110,818	917,618	-	-	917,618
TOTAL ASSETS	2,188,803	202,804	1,039,219	3,430,826	2,072,153	69,682	718,340	2,860,175
EQUITY AND LIABILITIES								
Equity								
Share capital	-	-	405,000	405,000	-	-	405,000	405,000
Statutory reserve	-	-	101,250	101,250	-	-	101,250	101,250
Legal reserve	-	-	175,452	175,452	-	-	152,331	152,331
Exceptional loss reserve	-	-	123,100	123,100	-	-	107,740	107,740
General reserve	-	-	405,603	405,603	-	-	293,434	293,434
Retained earnings	-	-	15,010	15,010	-	-	10,851	10,851
Available-for-sale reserve	-	-	358,464	358,464	-	-	41,967	41,967
Foreign currency translation reserve	-	-	(32,573)	(32,573)	-	-	(16,160)	(16,160)
Proposed dividends	81,000	-	-	81,000	81,000	-	-	81,000
Non-controlling interest	-	-	36,806	36,806	-	-	46,926	46,926
Total equity	81,000	-	1,588,112	1,669,112	81,000	-	1,143,339	1,224,339
Liabilities								
Insurance contracts liabilities	1,276,391	-	-	1,276,391	1,215,005	-	-	1,215,005
Reinsurance payables	232,279	-	-	232,279	202,552	-	-	202,552
Amounts held under reinsurance treaties	124,771	-	-	124,771	117,639	-	-	117,639
Other payables and accruals	113,497	-	12,853	126,350	86,511	-	11,113	97,624
Payable to policy holders of unit linked products	-	1,923	-	1,923	-	3,016	-	3,016
Total liabilities	1,746,938	1,923	12,853	1,761,714	1,621,707	3,016	11,113	1,635,836
TOTAL EQUITY AND LIABILITIES	1,827,938	1,923	1,600,965	3,430,826	1,702,707	3,016	1,154,452	2,860,175

20 RISK MANAGEMENT (continued)

20 B Financial risk (continued)

Capital management
Capital requirements are set and regulated by the regulatory requirements in the UAE, Oman, Syria, Egypt, Sri Lanka and Turkey. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders or issue capital securities.

The Group fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its objectives, policies and processes from the previous year.

Operational risk
Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

21 CONTINGENCIES AND COMMITMENTS

a) Legal claims

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

b) Contingent liabilities

At 31 December 2013, guarantees, other than those relating to claims for which provisions are held, amounting to AED 9,680,670 (2012: AED 15,527,858) had been issued on behalf of the Group by its banker in the ordinary course of business.

c) Capital commitments

The Group has the following capital commitments at the statement of financial position date:

	2013 ***AED'000***	*2012* *AED'000*
Commitment for investments	**25,463**	25,463
Uncalled capital of subsidiary company	**11,101**	17,351
	36,564	42,814

22 FAIR VALUE MEASUREMENT

A. Determination of fair value and fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of assets 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 assets recorded at fair value by level of the fair value hierarchy:

	Level 1	*Level 2*	*Level 3*	*Total fair value*
	AED'000	***AED'000***	***AED'000***	***AED'000***
31 December 2013				
Financial assets held-for-trading:				
Equity securities	**15,110**	-	-	**15,110**
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	**1,902**	**1,902**
Available-for-sale financial assets:				
Banking sector	**854,073**	-	-	**854,073**
Other sectors	**5,391**	-	-	**5,391**
Equity securities	**859,464**	-	-	**859,464**
Investments held on behalf of policy holders of unit linked products	**1,923**	-	-	**1,923**
Debt securities	**9,698**	-	-	**9,698**
	886,195	-	**1,902**	**888,097**

	Level 1	*Level 2*	*Level 3*	*Total fair value*
	AED'000	*AED'000*	*AED'000*	*AED'000*
31 December 2012 (Restated)				
Financial assets held-for-trading:				
Equity securities	7,849	-	-	7,849
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	1,825	1,825
Available-for-sale financial assets:				
Banking sector	540,552	-	-	540,552
Other sectors	2,965	-	-	2,965
Equity securities	543,517	-	-	543,517
Investments held on behalf of policy holders of unit linked products	3,016	-	-	3,016
Debt securities	9,100	-	-	9,100
	563,482	-	1,825	565,307

22 FAIR VALUE MEASUREMENT (continued)

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 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.

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 December 2013

	At 1 January 2013 AED'000	***Total gain or loss recorded in profit and loss AED'000***	***At 31 December 2013 AED'000***
Financial assets designated at fair value through profit or loss			
Equity securities	**1,825**	77	**1,902**
Total	**1,825**	77	**1,902**

31 December 2012(Restated)

	At 1 January 2012 AED'000	*Total gain or loss recorded in profit and loss AED'000*	*At 31 December 2012 AED'000*
Financial assets designated at fair value through profit or loss			
Equity securities	1,932	(107)	1,825
Total	1,923	(107)	1,825

22 FAIR VALUE MEASUREMENT (continued)

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions
For equity securities, the Group does not have a material exposure as at 31 December 2013 and accordingly no sensitivity analysis has been done.

Fair value of financial assets and liabilities not carried at fair value
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Asset for which fair value approximates carrying value
For financial assets and financial liabilities that have short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed rate financial instruments
The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit and maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.