ARABIAN SCANDINAVIAN INSURANCE COMPANY P.L.C.

Financial statements and independent auditor's report for the year ended 31 December 2013

ARABIAN SCANDINAVIAN INSURANCE COMPANY P.L.C.

Contents

Deloitte.

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

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

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Arabian Scandinavian Insurance Company P.L.C.
Dubai
United Arab Emirates

Report on the Financial Statements

We have audited the accompanying financial statements of **Arabian Scandinavian Insurance Company P.L.C., (the "Company") Dubai, United Arab Emirates,** which comprise the statement of financial position as at 31 December 2013, and the income statement, statement of comprehensive income, statement of changes in equity and 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 Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Cont'd...

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Arabian Scandinavian Insurance Company P.L.C., Dubai, United Arab Emirates,** 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

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

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
11 February 2014

Statement of financial position
at 31 December 2013

	Notes	2013 AED	2012 AED
ASSETS			
Non-current assets			
Property and equipment	5	**489,436**	290,281
Investment properties	6	**226,564,194**	205,595,226
Financial investments designated at fair value through other comprehensive income (FVTOCI)	7	**3,172,835**	12,881,703
Statutory deposits	8	**10,000,000**	10,000,000
Total non-current assets		**240,226,465**	228,767,210
Current assets			
Re-insurance contract assets	9	**27,970,786**	19,613,580
Insurance and other receivables	10	**26,646,935**	17,949,060
Due from related parties	11	**3,347,981**	2,876,704
Financial investments at fair value through profit or loss (FVTPL)	7	**21,699,511**	18,655,590
Bank balances and cash	12	**98,039,483**	88,467,447
Total current assets		**177,704,696**	147,562,381
Total assets		**417,931,161**	376,329,591
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**140,000,000**	140,000,000
Statutory reserve	14	**53,502,099**	48,423,287
General reserve	15	**45,611,899**	40,533,087
Cumulative change in fair value		**-**	(2,420,006)
Retained earnings		**82,363,755**	62,823,946
Total equity		**321,477,753**	289,360,314
Non-current liabilities			
Provision for employees' end of service indemnity	16	**1,622,193**	1,580,010
Current liabilities			
Insurance contract liabilities	9	**63,937,888**	54,278,269
Insurance and other payables	17	**30,823,617**	30,945,823
Due to related parties	11	**69,710**	165,175
Total current liabilities		**94,831,215**	85,389,267
Total liabilities		**96,453,408**	86,969,277
Total equity and liabilities		**417,931,161**	376,329,591

Director **Managing Director**

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

Income statement
for the year ended 31 December 2013

	Notes	2013 AED	2012 AED
Insurance premium revenue	18	**74,758,372**	67,037,595
Insurance premium ceded to re-insurers	18	**(26,665,910)**	(27,125,403)
Net insurance premium revenue	18	**48,092,462**	39,912,192
Gross claims incurred	9	**(56,160,962)**	(69,195,865)
Insurance claims recovered from re-insurers	9	**26,865,919**	43,008,287
Net claims incurred	9	**(29,295,043)**	(26,187,578)
Gross commission earned		**5,268,198**	8,564,342
Less: commission incurred		**(6,993,158)**	(6,911,280)
Net commission (incurred)/earned		**(1,724,960)**	1,653,062
Underwriting profit		**17,072,459**	15,377,676
General and administrative expenses relating to underwriting activities		**(14,883,532)**	(13,544,401)
Net underwriting profit		**2,188,927**	1,833,275
Investment income	19	**48,288,613**	30,575,084
Other income		**310,575**	95,226
Profit for the year	20	**50,788,115**	32,503,585
Basic earnings per share	21	**0.36**	0.23

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

Statement of comprehensive income
for the year ended 31 December 2013

	2013 AED	2012 AED
Profit for the year	**50,788,115**	32,503,585
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Net fair value gain on investments designated at FVTOCI	**-**	519,454
Gain on sale of investments designated at FVTOCI	**3,929,324**	368,449
Board of Directors' remuneration paid	**(1,600,000)**	(900,000)
Other comprehensive income/(loss) for the year	**2,329,324**	(12,097)
Total comprehensive income for the year	**53,117,439**	32,491,488

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

Statement of changes in equity
for the year ended 31 December 2013

	Share capital AED	Statutory reserve AED	General reserve AED	Cumulative change in fair value AED	Retained earnings AED	Total AED
Balance at 31 December 2011	140,000,000	45,172,928	37,282,728	(3,978,978)	52,392,148	270,868,826
Profit for the year	-	-	-	-	32,503,585	32,503,585
Other comprehensive loss for the year	-	-	-	519,454	(531,551)	(12,097)
Total comprehensive income for the year	-	-	-	519,454	31,972,034	32,491,488
Transfer to retained earnings on sale of FVTOCI	-	-	-	1,039,518	(1,039,518)	-
Transfer to statutory reserve (Note 14)	-	3,250,359	-	-	(3,250,359)	-
Transfer to general reserve (Note 15)	-	-	3,250,359	-	(3,250,359)	-
Dividend paid (Note 28)	-	-	-	-	(14,000,000)	(14,000,000)
Balance at 31 December 2012	140,000,000	48,423,287	40,533,087	(2,420,006)	62,823,946	289,360,314
Profit for the year	-	-	-	-	50,788,115	50,788,115
Other comprehensive income for the year	-	-	-	-	2,329,324	2,329,324
Total comprehensive income for the year	-	-	-	-	53,117,439	53,117,439
Transfer to retained earnings on sale of FVTOCI	-	-	-	2,420,006	(2,420,006)	-
Transfer to statutory reserve (Note 14)	-	5,078,812	-	-	(5,078,812)	-
Transfer to general reserve (Note 15)	-	-	5,078,812	-	(5,078,812)	-
Dividend paid (Note 28)	-	-	-	-	(21,000,000)	(21,000,000)
Balance at 31 December 2013	**140,000,000**	**53,502,099**	**45,611,899**	**-**	**82,363,755**	**321,477,753**

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

Statement of cash flows
for the year ended 31 December 2013

	2013 AED	2012 AED
Cash flows from operating activities		
Profit for the year	**50,788,115**	32,503,585
Adjustments for:		
Depreciation of property and equipment	**159,649**	145,709
Provision for employees' end of service indemnity	**166,784**	195,181
Bad debts written off	**-**	1,924
Gain on sale of property and equipment	**(58,296)**	-
Gain on sale of investment property	**-**	(782,005)
Fair value gain on investment properties	**(21,347,266)**	(10,389,152)
Impairment loss on investment properties	**2,750,000**	-
Unrealised gain on financial investments at FVTPL	**(1,904,050)**	(245,852)
Realised gain on sale of financial investments at FVTPL	**(12,247,563)**	(3,859,958)
Interest on fixed deposits	**(759,169)**	(944,558)
Other investment income	**(14,722,269)**	(14,353,559)
Operating profit before changes in working capital	**2,825,935**	2,271,315
Increase in re-insurance contract assets	**(8,357,206)**	(7,179,348)
(Increase)/decrease in insurance and other receivables	**(8,697,875)**	1,553,893
Increase in insurance contract liabilities	**9,659,619**	16,202,002
Increase in due from related parties	**(471,277)**	(717,230)
(Decrease)/increase in insurance and other payables	**(122,206)**	725,237
(Decrease)/increase in due to related parties	**(95,465)**	152,522
Net cash (used in)/generated from operations	**(5,258,475)**	13,008,391
Employees' end of service indemnity paid	**(124,601)**	(201,114)
Net cash (used in)/generated from operating activities	**(5,383,076)**	12,807,277
Cash flows from investing activities		
Purchase of property and equipment	**(430,508)**	(83,904)
Proceeds from sale of property and equipment	**130,000**	-
Purchase of investment properties	**(2,371,702)**	(2,297,616)
Decrease/(increase) in fixed deposits with banks under lien	**1,020,647**	(76,511)
Decrease/(increase) in fixed deposits with maturity over 3 months	**28,608,173**	(13,000,000)
Purchase of financial investments at FVTPL	**(88,143,014)**	(40,013,228)
Proceeds from disposal of financial investments at FVTOCI	**13,638,192**	4,051,527
Proceeds from disposal of financial investments at FVTPL	**99,250,706**	58,717,379
Proceeds from sale of investment property	**-**	6,222,990
Investment property income	**13,388,790**	13,079,578
Interest on fixed deposits received	**759,169**	870,717
Dividends received	**1,333,479**	1,273,981
Net cash generated from investing activities	**67,183,932**	28,744,913
Cash flows from financing activities		
Board of Directors' remuneration paid	**(1,600,000)**	(900,000)
Dividends paid	**(21,000,000)**	(14,000,000)
Cash used in financing activities	**(22,600,000)**	(14,900,000)
Net increase in cash and cash equivalents	**39,200,856**	26,652,190
Cash and cash equivalents at the beginning of the year	**34,316,903**	7,664,713
Cash and cash equivalents at the end of the year (Note 22)	**73,517,759**	34,316,903

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

Notes to the financial statements
for the year ended 31 December 2013

1. General information

Arabian Scandinavian Insurance Company P.L.C. - Dubai (the "Company") is a public shareholding company and was registered in 1992 under U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended) relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E under registration number 6. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

The principal activity of the Company is the writing of all classes of general insurance business and life assurance and till date the Company has written general insurance business only. The Company only operates in U.A.E., through its Dubai and Abu Dhabi offices.

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

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Company for the first time, has applied the following new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

- **IFRS 13** ***Fair Value Measurement***

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements in IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurement except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purpose).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS 13 for 2012 comparative periods (please see Note 7 and 26 for 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the financial statements.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

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

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (continued)

- **Amendments to IAS 1** ***Presentation of Items of Other Comprehensive Income***

The amendment to IAS 1 requires items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

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

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

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

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

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

- Amendments to IFRS 7 Financial Instruments: Disclosures enhance disclosures about offsetting of financial assets and liabilities.

- IFRS 10 *Consolidated Financial Statements* uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* have been amended for the issuance of IFRS 10.

- IFRS 11 *Joint Arrangements* establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly, IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.

- IFRS 12 *Disclosure of Interests in Other Entities* is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, application of IFRS 12 has resulted in more extensive disclosures in the financial statements

- Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

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

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

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

- The annual improvements include the amendments to five IFRSs which have been summarized below:
    - *IFRS 1 First Time Adoption of International Financial Reporting Standards* –Repeated application of IFRS 1.
    - *IFRS 1 First Time Adoption of International Financial Reporting Standards* - Borrowing costs.
    - *IAS 16 Property, Plant and Equipment* - Classification of serving equipment.
    - *IAS 32 Financial Instruments: Presentation* - Tax effect of the distribution to the holders of equity instruments.
    - *IAS 34 Interim Financial Reporting* - Interim financial reporting and segment information for total assets and liabilities.

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 19 *Employee Benefits* - to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014
• Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IAS 36 – *recoverable amount disclosures* The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.	1 January 2014

Notes to the financial statements
for the year ended 31 December 2013 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 39 *Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting*. The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing company.	1 January 2014
• IFRIC 21 – *Levies* - Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.	1 January 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment entities. On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12 and IAS 27 and introduces the concept of an investment entity in IFRS.	1 July 2014

- Annual Improvements to *IFRSs 2010 - 2012 Cycle*

  - *IFRS 2 Share Based Payments* - definition of 'vesting condition'.
  - *IFRS 3 Business Combinations* - accounting for contingent consideration.
  - *IFRS 8 Operating Segments* - aggregation of segments, reconciliation of segment assets.
  - *IAS 16 Property. Plant and Equipment* - proportionate restatement of accumulated depreciation on revaluation.
  - *IAS 24 Related Party Disclosures* - management entities.
  - *IAS 38 Intangible Assets* - proportionate restatement of accumulated depreciation on revaluation.

- Annual Improvements to *IFRSs 2011 - 2013 Cycle*

  - *IFRS 1 First Time Adoption of International Financial Reporting Standards* - meaning of effective IFRSs.
  - *IFRS 3 Business Combinations* - scope exception for joint ventures.
  - *IFRS 13 Fair Value Measurement* - scope of the portfolio exception.
  - *IAS 40 Investment Property* - interrelationship between IFRS 3 and IAS 40.

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

3. Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

3.3 Insurance contracts

3.3.1 Definition

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk.

3.3.2 Recognition and measurement

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.3 Short-term insurance contracts

The Company writes short-term insurance contracts only. These contracts are casualty and property insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short-duration life insurance contracts protect the Company's customers from the consequences of events that would affect on the ability of the customer or customer's dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policy holder. There are no maturity or surrender benefits.

For all these insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of reporting period is reported as the unearned premium liability.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

3.3.4 Reinsurance contracts held

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.4 Reinsurance contracts held (continued)

These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

3.3.5 Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the end of the reporting period, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the reporting date and is estimated using the 1/8th method for all lines of business. The unearned premium calculated by the 1/8th method accounts for the estimated acquisition costs incurred by the Company to acquire policies and defers these over the life of the policy.

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the financial statements.

3.3.6 Salvage and subrogation reimbursements

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

3.3.7 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs. Any deficiency is immediately charged to profit or loss initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

3.3.8 Receivables and payables related to insurance contracts

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

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

3. Significant accounting policies (continued)

3.4 Revenue recognition

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

3.4.1 Insurance contract income

Revenue from insurance contracts is measured as per the accounting policies stated under insurance contracts in these financial statements (see Note 3.3).

3.4.2 Commission income

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

3.4.3 Interest income

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

3.4.4 Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

3.4.5 Rental income

Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

3.5 Foreign currencies

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

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

3. Significant accounting policies (continued)

3.6 Employee benefits

3.6.1 Defined contribution plan

U.A.E. national employees of the Company are members of the Government managed retirement pension and social security benefit scheme established pursuant to U.A.E. Federal Labour Law No. 7 of 1999. The Company is required to contribute 12.5% of "contribution calculation salary" to the retirement benefit scheme to fund the benefits. These employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the profit or loss.

3.6.2 Provision for employees' end of service benefits

Provision for employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the end of the reporting period.

3.7 Property and equipment

Property and equipment are carried at cost less any accumulated depreciation and any identified impairment losses.

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

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

The useful life considered in the calculation of depreciation of all the assets is 4 years.

3.8 Investment properties

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

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

3. Significant accounting policies (continued)

3.8 Investment properties (continued)

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

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

3.9 Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

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

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

3.10 Provisions

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

3. Significant accounting policies (continued)

3.10 Provisions (continued)

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

3.11 Financial assets

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

Financial assets of the Company are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), at fair value through other comprehensive income (FVTOCI) and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.11.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in Note 26.3.

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

3. Significant accounting policies (continued)

3.11 Financial assets (continued)

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

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

A financial asset is held for trading if:

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

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

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

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

3.11.4 Insurance and other receivables

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

3.11.5 Impairment of financial assets

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

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

3. Significant accounting policies (continued)

3.11 Financial assets (continued)

3.11.5 Impairment of financial assets (continued)

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

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

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

3.11.6 Derecognition of financial assets

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

3.12 Financial liabilities and equity instruments issued by the Company

3.12.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement, and the definition of a financial liability and equity instruments.

3.12.2 Equity instruments

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

3.12.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

3. Significant accounting policies (continued)

3.12 Financial liabilities and equity instruments issued by the Company (continued)

3.12.4 Other financial liabilities

Insurance and other payables and due to related parties are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term payable when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.12.5 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

4. Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

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

4.1.1 Classification of investments

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

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

4.1 Critical judgements in applying accounting policies (continued)

4.1.2 Classification of properties

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

4.2 Key sources of estimation uncertainty

4.2.1 The ultimate liability arising from claims made under insurance contracts

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

4.2.2 Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2013 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

4.2.3 Liability adequacy test

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

4.2.4 Valuation of unquoted equity instruments

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

5. Property and equipment

	Furniture and fixtures AED	Motor vehicles AED	Total AED
Cost			
Balance at 31 December 2011	2,982,570	331,300	3,313,870
Additions during the year	83,904	-	83,904
Balance at 31 December 2012	3,066,474	331,300	3,397,774
Additions during the year	73,158	357,350	430,508
Disposals during the year	-	(312,500)	(312,500)
Balance at 31 December 2013	**3,139,632**	**376,150**	**3,515,782**
Accumulated depreciation			
Balance at 31 December 2011	2,850,602	111,182	2,961,784
Charge for the year	65,741	79,968	145,709
Balance at 31 December 2012	2,916,343	191,150	3,107,493
Eliminated on disposals	-	(240,796)	(240,796)
Charge for the year	76,067	83,582	159,649
Balance at 31 December 2013	**2,992,410**	**33,936**	**3,026,346**
Carrying amount			
Balance at 31 December 2013	**147,222**	**342,214**	**489,436**
Balance at 31 December 2012	150,131	140,150	290,281

At 31 December 2013, the cost of fully depreciated property and equipment that was still in use amounted to AED 2,837,065 (2012: AED 2,775,840).

Notes to the financial statements
for the year ended 31 December 2013 (continued)

6. Investment properties

	2013 **AED**	2012 AED
Balance at the beginning of the year	**205,595,226**	198,349,443
Additions during the year	**2,371,702**	2,297,616
Disposal during the year	**-**	(5,440,985)
Increase in fair value during the year	**21,347,266**	10,389,152
Impairment loss recognised during the year	**(2,750,000)**	-
Balance at the end of the year	**226,564,194**	205,595,226

The fair value of the Company's investments properties as at 31 December 2013 and 31 December 2012 has been arrived at on the basis of valuations carried on the respective dates by independent valuers who are not related to the Company and have appropriate qualifications and recent market experience in the valuation of properties in the United Arab Emirates.

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The property under construction is stated at cost as fair value is not realiably determinable. However, management expects that the fair value of the investment property to be reliably determinable when construction is completed.

In 2013, the recoverable amount of one of the investment properties was found to be lower than its carrying value. Accordingly, the management performed an impairment review and recognised an impairment loss of AED 2,750,000 during the year.

Investment property amounting to AED 11,036,517 (2012: AED 13,786,517) is registered in the name of related parties in trust and for the benefit of the Company.

All investment properties are located in U.A.E.

The property rental income earned by the Company from its investment properties, which are leased under operating leases on an annual basis and the direct operating expenses arising in the management of the investment properties are as follows:

	2013 **AED**	2012 AED
Rental income	**14,527,482**	13,919,534
Direct operating expenses	**(1,138,692)**	(839,956)
Income from investment properties (Note 19)	**13,388,790**	13,079,578

Notes to the financial statements
for the year ended 31 December 2013 (continued)

7. Financial investments

The Company's financial investments at the end of reporting period are detailed below:

	2013 AED	2012 AED
Financial investments designated at FVTOCI		
Quoted U.A.E. equity securities	**-**	9,612,953
Unquoted U.A.E. equity securities	**3,172,835**	3,268,750
	3,172,835	12,881,703
Financial investments at FVTPL		
Quoted U.A.E. equity securities	**21,699,511**	18,655,590

The movement in financial investments are as follows:

	At fair value through other comprehensive income		At fair value through profit or loss	
	2013 AED	2012 AED	**2013 AED**	2012 AED
Fair value, at the beginning of the year	**12,881,703**	16,045,327	**18,655,590**	33,253,931
Purchased during the year	**-**	-	**88,143,014**	40,013,228
Disposals during the year	**(9,708,868)**	(3,683,078)	**(87,003,143)**	(54,857,421)
Change in fair value	**-**	519,454	**1,904,050**	245,852
Fair value, at the end of the year	**3,172,835**	12,881,703	**21,699,511**	18,655,590

8. Statutory deposits

Statutory deposit represents fixed deposits under lien against the guarantees issued in favor of Insurance Authority of U.A.E. in accordance with Article 42 of United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

9. Insurance contract liabilities and re-insurance contract assets

	2013 AED	2012 AED
Gross		
Insurance contract liabilities:		
Claims reported unsettled	**27,108,764**	19,305,827
Claims incurred but not reported	**5,600,000**	4,600,000
Unearned premiums	**31,229,124**	30,372,442
Total insurance contract liabilities, gross	**63,937,888**	54,278,269
Recoverable from re-insurers		
Claims reported unsettled	**18,847,327**	8,619,906
Unearned premiums	**9,123,459**	10,993,674
Total re-insurers' share of insurance liabilities	**27,970,786**	19,613,580
Net		
Claims reported unsettled	**8,261,437**	10,685,921
Claims incurred but not reported	**5,600,000**	4,600,000
Unearned premiums	**22,105,665**	19,378,768
	35,967,102	34,664,689

Notes to the financial statements
for the year ended 31 December 2013 (continued)

9. Insurance contract liabilities and re-insurance contract assets (continued)

Movement in the insurance contract liabilities and reinsurance contract assets during the year were as follows:

	2013			2012		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	AED	**AED**	**AED**	AED	AED	AED
Claims						
Notified claims	**19,305,827**	**(8,619,906)**	**10,685,921**	10,641,528	(3,913,994)	6,727,534
Incurred but not reported	**4,600,000**	**-**	**4,600,000**	3,600,000	-	3,600,000
Total at the beginning of the year	**23,905,827**	**(8,619,906)**	**15,285,921**	14,241,528	(3,913,994)	10,327,534
Claims settled in the year	**(47,358,025)**	**16,638,498**	**(30,719,527)**	(59,531,566)	38,302,375	(21,229,191)
Claims incurred in the year	**56,160,962**	**(26,865,919)**	**29,295,043**	69,195,865	(43,008,287)	26,187,578
Total at the end of the year	**32,708,764**	**(18,847,327)**	**13,861,437**	23,905,827	(8,619,906)	15,285,921
Notified claims	**27,108,764**	**(18,847,327)**	**8,261,437**	19,305,827	(8,619,906)	10,685,921
Incurred but not reported	**5,600,000**	**-**	**5,600,000**	4,600,000	-	4,600,000
Total at the end of the year	**32,708,764**	**(18,847,327)**	**13,861,437**	23,905,827	(8,619,906)	15,285,921
Unearned premium						
Total at the beginning of the year	**30,372,442**	**(10,993,674)**	**19,378,768**	23,834,739	(8,520,238)	15,314,501
Increase in the year	**29,229,124**	**(9,123,459)**	**20,105,665**	28,372,442	(10,993,674)	17,378,768
Release in the year	**(28,372,442)**	**10,993,674**	**(17,378,768)**	(21,834,739)	8,520,238	(13,314,501)
Net increase/(decrease) during the year (Note 18)	**856,682**	**1,870,215**	**2,726,897**	6,537,703	(2,473,436)	4,064,267
Total at the end of the year	**31,229,124**	**(9,123,459)**	**22,105,665**	30,372,442	(10,993,674)	19,378,768

Notes to the financial statements
for the year ended 31 December 2013 (continued)

10. Insurance and other receivables

	2013 AED	2012 AED
Receivables arising from insurance and reinsurance contracts:		
Due from policy holders	**6,074,864**	8,136,996
Allowance for doubtful debts	**(288,707)**	(288,707)
	5,786,157	7,848,289
Due from insurance companies	**2,158,959**	2,777,748
Allowance for doubtful debts	**(938,760)**	(938,760)
	1,220,199	1,838,988
Due from reinsurance companies	**956,480**	176,972
	7,962,836	9,864,249
Other receivables:		
Notes receivables – Post dated cheques	**6,557,394**	4,043,085
Prepayments and others	**12,126,705**	4,041,726
	18,684,099	8,084,811
	26,646,935	17,949,060

The average credit period on insurance receivable is 90 days. The insurance receivables outstanding between 90 days and 180 days are monitored by the Company for recoverability. The insurance receivables outstanding greater than 180 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience in addition to specific provision made on identified customers.

The Company has adopted a policy of dealing with credit worthy counter parties. Adequate credit assessment is made before accepting an insurance contract from any counter party. Of the due from insurance receivables at the end of the year AED 733,758 (2012: AED 1,145,765) is due from the Company's largest counter party, and the Company has not provided any allowance against this outstanding balance, since the total balance is below 90 days.

Ageing of insurance and reinsurance receivables:

	2013 AED	2012 AED
Neither past due nor impaired	**6,143,307**	4,713,689
Past due but not impaired:		
90 to 365 days	**1,489,283**	4,761,562
More than 365 days	**330,246**	388,998
	1,819,529	5,150,560
Past due and impaired	**1,227,467**	1,227,467
Total	**9,190,303**	11,091,716

Notes to the financial statements
for the year ended 31 December 2013 (continued)

10. Insurance and other receivables (continued)

Movement in the allowance for doubtful debts:

	2013 AED	2012 AED
Balance at the beginning of the year	**1,227,467**	1,257,824
Amounts recovered during the year	**-**	(30,357)
Balance at the end of the year	**1,227,467**	1,227,467

In determining the recoverability of an insurance receivable, the Company considers any change in the credit quality of the insurance receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

11. Due from / to related parties

At the reporting date, amounts due from/to related parties were as follows:

	2013 AED	2012 AED
Due from related parties:		
Al Redah Insurance Brokers (LLC), Dubai	**3,347,615**	2,868,794
Other related parties	**366**	7,910
	3,347,981	2,876,704
Due to related parties:		
Al Kazim Real Estate, Dubai	**58,620**	90,575
Al Kazim Group, Dubai	**4,000**	4,000
Other related parties	**7,090**	70,600
	69,710	165,175

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the year for bad or doubtful debts in respect of the amounts owed by related parties.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

11. Due from/to related parties (continued)

Transactions:

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

	2013 AED	2012 AED
Insurance policies written for related parties	**580,514**	487,263
Management expenses (net)	**1,305,100**	1,030,440
Premiums written through a related party broker	**13,017,197**	12,616,316
Commission paid	**1,829,494**	1,848,331
Claims paid	**99,536**	901,520

Transactions with related parties were carried out on terms agreed with the management.

Compensation of board of directors/ key management personnel

	2013 AED	2012 AED
Short-term benefits	**1,627,582**	1,362,248
Long-term benefits	**75,000**	75,000
Board of Directors' remuneration	**1,600,000**	900,000

12. Bank balances and cash

	2013 AED	2012 AED
Fixed deposits	**63,727,060**	79,150,544
Call accounts	**167,873**	167,904
Current accounts and cash	**34,144,550**	9,148,999
	98,039,483	88,467,447

The interest rates on fixed deposits and call accounts with banks range from 0.84% to 1.5% (2012: 0.9% to 1.8%).

Fixed deposits amounting to AED 3,129,897 (31 December 2012: AED 4,150,544) are under lien against the credit facility granted to the Company.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

12. Bank balances and cash (continued)

Bank balances and cash represents

	2013 AED	2012 AED
Within U.A.E.	**97,867,933**	88,295,864
Outside U.A.E.	**171,550**	171,583
	98,039,483	88,467,447

13. Share capital

	2013 AED	2012 AED
Authorised and issued and fully paid: 140 million ordinary shares of AED 1 each (2012: 140 million)	**140,000,000**	140,000,000

14. Statutory reserve

In accordance with U.A.E. Federal Commercial Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. For the year ended 31 December 2013, AED 5,078,812 (2012: AED 3,250,359) was transferred to statutory reserve.

15. General reserve

In accordance with the Company's Articles of association, an amount equal to 10% of profit for the year is transferred to a general reserve. This reserve can be used for specific purposes to be decided upon by the Company's Shareholders based on the recommendations of the board of directors. Transfers to this reserve are required to be made until such time as it equals 50% of the Company's paid up capital. For the year ended 31 December 2013, AED 5,078,812 (2012: AED 3,250,359) was transferred to general reserve.

16. Provision for employees' end of service indemnity

	2013 AED	2012 AED
Balance at the beginning of the year	**1,580,010**	1,585,943
Charged during the year	**166,784**	195,181
Paid during the year	**(124,601)**	(201,114)
Balance at the end of the year	**1,622,193**	1,580,010

Notes to the financial statements
for the year ended 31 December 2013 (continued)

17. Insurance and other payables

	2013 AED	2012 AED
Payables arising from insurance and reinsurance contracts:		
Payable arising from insurance activities	**4,785,597**	4,275,287
Due to insurance companies	**3,703,654**	3,134,030
Due to reinsurance companies	**7,438,399**	9,143,753
Premium reserve withheld	**4,843,014**	5,416,249
	20,770,664	21,969,319
Other payables:		
Accrued expenses and others	**10,052,953**	8,976,504
	30,823,617	30,945,823

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

18. Net insurance premium revenue

	2013 AED	2012 AED
Gross premium written		
Gross premium written	**75,615,054**	73,575,298
Change in unearned premium (see Note 9)	**(856,682)**	(6,537,703)
	74,758,372	67,037,595
Reinsurance premium ceded		
Reinsurance premium ceded	**(24,795,695)**	(29,598,839)
Change in unearned premium (see Note 9)	**(1,870,215)**	2,473,436
	(26,665,910)	(27,125,403)
Net insurance premium revenue	**48,092,462**	39,912,192

Notes to the financial statements
for the year ended 31 December 2013 (continued)

19. Investment income

	2013 AED	2012 AED
Profit on disposal of financial investments at FVTPL	**12,247,563**	3,859,958
Unrealised gain on financial investments at FVTPL	**1,904,050**	245,852
Interest on fixed deposit	**759,169**	944,558
Dividends from investments:		
Financial investments at FVTOCI	**308,534**	1,224,680
Financial investments at FVTPL	**1,024,945**	49,301
Fair value gain on investment properties	**21,347,266**	10,389,152
Income from investment properties (Note 6)	**13,388,790**	13,079,578
Gain on sale of investment property	**-**	782,005
Impairment loss recognised on investment property	**(2,750,000)**	-
Gain on sale of property and equipment	**58,296**	-
	48,288,613	30,575,084

20. Profit for the year

Profit for the year has been arrived at after charging the following expenses:

	2013 AED	2012 AED
Staff costs	**11,244,581**	9,835,409
Depreciation of property and equipment	**159,649**	145,709

21. Basic earnings per share

	2013	2012
Profit for the year (in AED)	**50,788,115**	32,503,585
Number of shares	**140,000,000**	140,000,000
Basic earnings per share (in AED)	**0.36**	0.23

Basic earnings per share is calculated by dividing the profit for the year by the number of shares outstanding as of the end of the reporting period.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

22. Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include bank balances and cash net of fixed deposits in banks with maturity over three months and fixed deposits under lien. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2013 AED	2012 AED
Bank balances and cash (see Note 12)	**98,039,483**	88,467,447
Fixed deposits with maturity over 3 months	**(21,391,827)**	(50,000,000)
Fixed deposits under lien	**(3,129,897)**	(4,150,544)
	73,517,759	34,316,903

23. Contingent liabilities and capital commitments

	2013 AED	2012 AED
Letters of guarantees	**10,720,025**	11,094,202
Capital commitments	**14,298,732**	-

Capital commitments consists of an investment property under construction, which is expected to be completed in 2015.

24. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

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

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

24. Insurance risk (continued)

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

24.1 Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

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

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 200,000, AED 2,500 and AED 400,000 in any one policy for motor, medical and other non-motor respectively. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually every year and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

24.2 Sources of uncertainty in the estimation of future claim payments

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

24. Insurance risk (continued)

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

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

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

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

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before re insurance) are analysed below by type of risk where the insured operates for current and prior year premiums earned.

Type of risk

	2013	2012
Motor	**89%**	77%
Non motor	**67%**	97%

24.3 Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the reporting date to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

24. Insurance risk (continued)

24.4 Concentration of Insurance risk

Substantially all of the Company's underwriting activities are carried out in the United Arab Emirates.

The insurance risk before and after reinsurance in relation to the motor and non-motor insurance risk accepted is summarised below:

	2013			2012		
	Type of risk			Type of risk		
	Motor	**Non-motor**	**Total**	Motor	Non-motor	Total
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Gross	**18,594,754**	**52,449,389**	**71,044,143**	17,240,534	60,524,652	77,765,186
Net	**2,837,600**	**1,544,852**	**4,382,452**	1,976,400	1,671,565	3,647,965

24.5 Reinsurance risk

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

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

24.6 Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Company amounts to AED 2.2 million for the year ended 31 December 2013 (2012: AED 1.8 million). The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 67% (2012: 60%) and the same is mainly contributed by motor and medical class of business. However, in this class the risk is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company has gross commission earnings in 2013 of AED 5.3 million (2012: AED 8.6 million). These commissions arise primarily from the reinsurance placements and are a consistent and recurring source of income.

Because of low risk retention in 24% (2012: 44%) volume of business and limited exposure in high retention areas like motor, the Company is comfortable to maintain a net loss ratio in the region of 55% - 65% and does not foresee any serious financial impact in the insurance net profit.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

25. Capital risk management

The Company's objectives when managing capital are:

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

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

The table below summarises the minimum required capital of the Company and the total capital held.

	2013 AED	2012 AED
Minimum regulatory capital	**100,000,000**	100,000,000
Share capital held	**140,000,000**	140,000,000

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

26. Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and financial liabilities are interest rate risk and equity price risk.

26.1 Significant accounting policies

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

26. Financial instruments (continued)

26.2 Categories of financial instruments

	2013 AED	2012 AED
Financial assets		
Financial investments at FVTOCI	**3,172,835**	12,881,703
Financial investments at FVTPL	**21,699,511**	18,655,590
Statutory deposits	**10,000,000**	10,000,000
Insurance and other receivables	**25,756,445**	17,174,009
Due from related parties	**3,347,981**	2,876,704
Bank balances and cash	**98,039,483**	88,467,447
Total financial assets	**162,016,255**	150,055,453
Financial liabilities		
Insurance and other payables	**30,823,617**	30,945,823
Due to related parties	**69,710**	165,175
Total financial liabilities	**30,893,327**	31,110,998

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

26.3 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2012.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

26. Financial instruments (continued)

26.3 Fair value measurements (continued)

Fair value measurements recognised in the statement of financial position

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

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

31 December 2013	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
Financial assets at FVTPL				
Quoted equities	**21,699,511**	**-**	**-**	**21,699,511**
Financial assets at FVTOCI				
Unquoted equities	**-**	**-**	**3,172,835**	**3,172,835**
Investment properties	**-**	**213,108,604**	**13,455,590**	**226,564,194**
	21,699,511	**213,108,604**	**16,628,425**	**251,436,540**

31 December 2012	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTPL				
Quoted equities	18,655,590	-	-	18,655,590
Financial assets at FVTOCI				
Quoted equities	9,612,953	-	-	9,612,953
Unquoted equities	-	-	3,268,750	3,268,750
Investment properties		191,808,709	13,786,517	205,595,226
	28,268,543	191,808,709	17,055,267	237,132,519

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

26. Financial instruments (continued)

26.3 Fair value measurements (continued)

Below is a reconciliation of movements in level 3 financial assets measured at fair values:

	2013 AED	2012 AED
Balance at the beginning of the year	**3,268,750**	3,268,750
Disposals during the year	**(95,915)**	-
Balance at the end of the year	**3,172,835**	3,268,750

26.4 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price risk.

Market risk exposures are measured using sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the market risk.

26.5 Foreign currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

26.6 Credit risk

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

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

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

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

Notes to the financial statements
for the year ended 31 December 2013 (continued)

26. Financial instruments (continued)

26.6 Credit risk (continued)

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the management includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristic, other than due from insurance receivables at the end of reporting period amounting to AED 733,758 (2012: AED 1,145,765). The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

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

26.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

26. Financial instruments (continued)

26.7 Liquidity risk (continued)

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

31 December 2013

	Less than 90 days	91-180 days	181-365 days	Above 365 days	Total
	AED	AED	AED	AED	AED
Financial assets					
At fair value through OCI	-	-	-	3,172,835	**3,172,835**
At fair value through profit or loss	21,699,511	-	-	-	**21,699,511**
Statutory deposit	-	-	-	10,000,000	**10,000,000**
Insurance and other receivables	19,092,033	4,325,380	2,008,786	330,246	**25,756,445**
Due from related parties	3,347,981	-	-	-	**3,347,981**
Bank balances and cash – interest bearing	56,227,060	-	7,500,000	-	**63,727,060**
Bank balances and cash - non interest bearing	34,312,423	-	-	-	**34,312,423**
	134,679,008	**4,325,380**	**9,508,786**	**13,503,081**	**162,016,255**
Financial liabilities					
Insurance and other payables	9,667,585	7,012,842	12,745,684	1,397,506	**30,823,617**
Due to related parties	69,710	-	-	-	**69,710**
	9,737,295	**7,012,842**	**12,745,684**	**1,397,506**	**30,893,327**

Notes to the financial statements
for the year ended 31 December 2013 (continued)

26. Financial instruments (continued)

26.7 Liquidity risk (continued)

31 December 2012

	Less than 90 days	91-180 days	181-365 days	Above 365 days	Total
	AED	AED	AED	AED	AED
Financial assets					
At fair value through OCI	-	-	-	12,881,703	12,881,703
At fair value through profit or loss	18,655,590	-	-	-	18,655,590
Statutory deposit	-	-	-	10,000,000	10,000,000
Insurance and other receivables	9,573,250	7,187,954	23,807	388,998	17,174,009
Due from related parties	-	2,876,704	-	-	2,876,704
Bank balances and cash – interest bearing	-	-	42,000,000	37,150,544	79,150,544
Bank balances and cash - non interest bearing	9,316,903	-	-	-	9,316,903
	37,545,743	10,064,658	42,023,807	60,421,245	150,055,453
Financial liabilities					
Insurance and other payables	10,377,471	10,527,572	9,212,134	828,646	30,945,823
Due to related parties	-	165,175		-	165,175
	10,377,471	10,692,747	9,212,134	828,646	31,110,998

26.8 Interest risk

The Company’s exposure to interest rate risk relates to its bank deposits. At 31 December 2013, bank deposits carried interest rate of 1.50% per annum (2012: 1.06% per annum).

If interest rates had been 50 basis points lower throughout the year and all other variables were held constant, the Company’s profit for the year ended 31 December 2013 and equity as at 31 December 2013 would decrease by approximately AED 357,194 (2012: decrease by AED 445,752).

26. Financial instruments (continued)

26.9 Equity price risk

Sensitivity analysis

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Company's statement of income/comprehensive income would have increased/decreased by AED 2.5 million (2012: AED 3.2 million).

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the end of the reporting period.
- As at the reporting date if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and other comprehensive income has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

27. Segment information

The Company is organised into three main business segments, motor insurance, medical insurance and other classes of insurance. The other classes of insurance includes fire, hull, cargo, engineering and certain other smaller classes of insurance.

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

Insurance premium represents the total income arising from insurance contracts. The Company does not conduct any business outside U.A.E. There are no transactions between the business segments.

Segmental information is presented below:

Notes to the financial statements
for the year ended 31 December 2013 (continued)

27. Segment information (continued)

	Underwriting			Investments		Underwriting			Investments	
	2013	**2013**	**2013**	**2013**	**2013**	2012	2012	2012	2012	2012
	Motor AED	**Medical AED**	**Others AED**	**Total AED**	**Total AED**	Motor AED	Medical AED	Others AED	Total AED	Total AED
Segment Results:										
Net insurance premium revenue	**20,839,578**	**20,394,389**	**6,858,495**	**-**	**48,092,462**	14,600,545	16,809,281	8,502,366	**-**	39,912,192
Net claims incurred	**13,769,492**	**12,935,418**	**2,590,133**	**-**	**29,295,043**	8,452,068	14,939,714	2,795,796	**-**	26,187,578
Net commission (incurred)/earned	**(2,233,916)**	**(1,078,980)**	**1,587,936**	**-**	**(1,724,960)**	(1,482,703)	(1,329,774)	4,465,539	**-**	1,653,062
Net underwriting profit	**185,823**	**1,461,663**	**541,441**	**-**	**2,188,927**	1,253,130	(3,545,375)	4,125,520	**-**	1,833,275
Investment income					**48,288,613**					30,575,084
Other income					**310,575**					95,226
Profit for the year					**50,788,115**					32,503,585
Segment assets and liabilities:										
Investment assets	**-**	**-**	**-**	**239,737,029**	**239,737,029**	-	-	-	228,476,929	228,476,929
Underwriting assets	**-**	**-**	**-**	**-**	**178,194,132**	-	-	-	-	147,852,662
Total assets	**-**	**-**	**-**	**239,737,029**	**417,931,161**	-	-	-	228,476,929	376,329,591
Total liabilities	**-**	**-**	**-**	**-**	**96,453,408**	**-**	**-**	**-**	**-**	86,969,277

Notes to the financial statements
for the year ended 31 December 2013 (continued)

28. Dividend per share

During 2013, a cash dividend of 15% of share capital, AED 15 fils per share, for 2012 amounting to AED 21 million was paid to the Shareholders (2012: a cash dividend of 10% of share capital, AED 10 fils per share, for 2011 amounting to AED 14 million). In respect of the current year, at the Board meeting held on 11 February 2014, the Board of Directors proposed a cash dividend of 20% of share capital, AED 20 fils per share, amounting to AED 28 million, in addition to bonus share of 10% of share capital, AED 10 fils per share, amounting to AED 14 million. The directors' remuneration for the year 2013 shall be decided at the Annual General Meeting (2012 approved remuneration: AED 1,600,000). The proposals are subject to approval by the Shareholders at the Annual General Meeting.

29. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 11 February 2014.