Grant Thornton

DUBAI NATIONAL INSURANCE & REINSURANCE P.S.C.

DUBAI - UNITED ARAB EMIRATES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2013

Dubai National Insurance & Reinsurance P.S.C.
Financial Statements

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DUBAI NATIONAL INSURANCE & REINSURANCE
(Public Shareholding Company)

دبي الوطنية للتأمين وإعادة التأمين
(شركة مساهمة عامة)

Directors' Report

I am pleased to welcome you to this Ordinary General Assembly of Dubai National Insurance & Reinsurance PSC, on behalf of the Board of Directors, and to present its twenty second annual report and accounts for the financial year 2013.

2013 has been another landmark year for the UAE. The much coveted Expo 2020 win by Dubai will further consolidate UAE's position as an international trade hub. The economic reconstruction and development spurred by the successful Expo bid, the buoyant trade and services sector, the resurgent stock market and the booming hospitality industry will add vigor to the economy that is already on an upswing.

The development of economic, construction and social activities in the country will have a positive impact on the insurance sector. High demand for medical insurance and accident insurance promises huge growth prospects for the industry due to the emergence of low premium or customized insurance products in these segments. However vicious price wars among insurers, hardening reinsurance market and over reliance on investment profits rather than technical underwriting profits are pitfalls which insurance companies should steer clear of in the forthcoming years.

In this exciting and challenging environment, your company remains well positioned to focus on the growth opportunities by providing its clients with vast array of insurance services and unmatched flexibility of providing tailor made insurance protection. The cautious and prudent underwriting approach of constantly balancing risk with profitability that has been a hallmark of your company's strategy will continue to ensure steady growth and maximizing shareholder returns in the years to come.

The year 2013 proved to be yet another year of high performance for your Company. The gross written premium during the year 2013 is AED 166.633 Million as compared to AED 128.193 Million in year 2012; an increase of 30% over the previous year.

The underwriting income for the year is AED 33.464 Million compared to from 33.007 Million in the year 2012.

The net profit for the year 2013 before appropriation amounted to AED 30.207 Million (AED 29.113 Million in year 2012).

The Board would like to thank all our shareholders, policyholders, business partners and employees for their continued support.

We recommend to the shareholders the following appropriations from the net profit for the year 2013

- Transfer to Legal Reserve AED 0.302 Million
- Cash Dividend @ 20% AED 23.100 Million

The following recommendations are placed for your approval & ratification:

1) To approve the Board of Directors' and Auditors' Report for 2013.
2) To ratify the company's financial statements for the year ended 31st December 2013.
3) To approve the Board of Directors' proposal relating to appropriation of profit and retained earnings.
4) To release the Chairman, the Members of the Board and the auditors from any liabilities related to the performance of their duties during the year under review.
5) To appoint statutory auditors for the year 2014.

KHALAF AHMED AL HABTOOR
Chairman of the Board of Directors

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Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance P.S.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Dubai National Insurance & Reinsurance (P.S.C.) (the "Company"), which comprise the statement of financial position as at December 31, 2013, and the income statement, the statement of comprehensive income, the statement of changes in equity and the 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 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 judgement, 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.

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of the Company as at December 31, 2013, and of 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

As required by the U.A.E. Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No. 8 of 1984 (as amended), we also confirm that we have obtained all the information and explanations necessary for our audit, proper books of account have been kept by the Company and the contents of the Directors' report which relate to the financial statements are in agreement with the Company's books of account. To the best of our knowledge and belief, no violations of above mentioned laws and regulations or of the Articles of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

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Farouk Mohamed
(Registration no: 86)
Dubai, United Arab Emirates
February 20, 2014

Statement of financial position
As at December 31, 2013

	Notes	2013 AED '000	2012 AED '000
ASSETS			
Non-current assets			
Statutory deposits	4	**10,268**	10,268
Property and equipment	5	**593**	1,055
Investment property	6	**85,141**	86,988
		96,002	98,311
Current assets			
Financial assets	7	**228,861**	118,562
Insurance receivables	8	**26,738**	35,228
Other receivables	9	**2,561**	2,382
Due from related parties	10	**6,938**	15,342
Re-insurer's contract assets	11	**107,693**	95,068
Cash and cash equivalents	12	**55,265**	31,304
		428,056	297,886
TOTAL ASSETS		**524,058**	396,197
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**115,500**	115,500
Legal reserve	14	**57,750**	57,448
Obligatory reserve	15	**28,875**	28,875
General reserve	16	**220,000**	220,000
Fair value reserve on financial assets at fair value through other comprehensive income		**(150,634)**	(260,932)
Retained earnings		**34,242**	29,851
TOTAL EQUITY		**305,733**	190,742
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	17	**2,636**	2,116
Current liabilities			
Insurance contract provisions	11	**159,144**	142,702
Insurance payables	18	**36,779**	42,705
Other payables	19	**16,262**	13,721
Due to related parties	10	**3,504**	4,211
		215,689	203,339
TOTAL LIABILITIES		**218,325**	205,455
TOTAL EQUITY AND LIABILITIES		**524,058**	396,197

These financial statements were approved by the Board of Directors on February 12, 2014 and signed on their behalf by:

Khalaf Ahmed Al Habtoor
Chairman

Mohammed Khalaf Al Habtoor
Managing Director

The notes from 1 to 32 form an integral part of these financial statements.

Dubai National Insurance & Reinsurance P.S.C.
Financial Statements

Income statement
For the year ended December 31, 2013

	Notes	2013 AED'000	2012 AED'000
Gross premium		**166,633**	128,193
Reinsurance share of premium		**(101,739)**	(79,569)
Net premium		**64,894**	48,624
Net transfer to unearned premium reserve	11-a	**(3,654)**	(4,682)
Net premium earned		**61,240**	43,942
Commission earned		**16,765**	13,825
Commission paid		**(16,791)**	(11,602)
Others		**4,223**	6,648
Gross underwriting income		**65,437**	52,813
Gross claims paid		**72,951**	47,375
Reinsurance share		**(41,141)**	(27,262)
Net claims paid		**31,810**	20,113
Provision for outstanding claims and technical provisions		**4,036**	(1,196)
Reinsurance share of outstanding claims		**(3,873)**	889
Net claims incurred		**31,973**	19,806
Net underwriting income		**33,464**	33,007
Income from investment - net	20	**6,976**	6,084
Income from investment property - net	21	**9,489**	10,210
Other income	22	**156**	41
Gross income		**50,085**	49,342
General and administrative expenses	23	**(19,878)**	(20,229)
Net profit for the year		**30,207**	29,113
		AED	AED
Earnings per share:			
Basic and diluted	24	**0.26**	0.25

The notes from 1 to 32 form an integral part of these financial statements.

Dubai National Insurance & Reinsurance P.S.C.
Financial Statements

Statement of comprehensive income
For the year ended December 31, 2013

	2013	2012
	AED'000	AED'000
Net profit for the year	**30,207**	29,113
Other comprehensive income		
Net unrealized gain on investments	110,298	13,485
Translation of operating assets and liabilities of overseas branch	(1)	2
Total comprehensive income for the year	**140,504**	42,600

The notes from 1 to 32 form an integral part of these financial statements.

Statement of changes in equity
For the year ended December 31, 2013

	Share capital	Legal reserve	Obligatory reserve	General reserve	Fair value reserve on financial asset at fair value through other comprehensive income	Retained earnings	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Balance as at January 1,2012	110,000	54,537	27,500	220,000	(274,417)	28,927	166,547
Dividend	-	-	-	-	-	(16,500)	(16,500)
Bonus share issue	5,500	-	-	-	-	(5,500)	-
Directors' remuneration	-	-	-	-	-	(1,905)	(1,905)
Transfer to legal reserve	-	2,911	-	-	-	(2,911)	-
Transfer to obligatory reserve	-	-	1,375	-	-	(1,375)	-
Transaction with owners	5,500	2,911	1,375	-	-	(28,191)	(18,405)
Profit for the year	-	-	-	-	-	29,113	29,113
Other comprehensive income:							
Net unrealised gain on investments	-	-	-	-	13,485	-	13,485
Adjustment arising on translation of operating assets and liabilities of overseas branch	-	-	-	-	-	2	2
Total other comprehensive income for the year	-	-	-	-	13,485	2	13,487
Balance as at December 31, 2012	**115,500**	**57,448**	**28,875**	**220,000**	**(260,932)**	**29,851**	**190,742**
Balance as at January 1,2013	115,500	57,448	28,875	220,000	(260,932)	29,851	190,742
Dividend	-	-	-	-	-	(23,100)	(23,100)
Directors' remuneration	-	-	-	-	-	(2,413)	(2,413)
Transfer to legal reserve	-	302	-	-	-	(302)	-
Transaction with owners	-	302	-	-	-	(25,815)	(25,513)
Profit for the year	-	-	-	-	-	30,207	30,207
Other comprehensive income:							
Net unrealised gain on investments	-	-	-	-	110,298	-	110,298
Adjustment arising on translation of operating assets and liabilities of overseas branch	-	-	-	-	-	(1)	(1)
Total other comprehensive income for the year	-	-	-	-	110,298	(1)	110,297
Balance as at December 31, 2013	**115,500**	**57,750**	**28,875**	**220,000**	**(150,634)**	**34,242**	**305,733**

The notes from 1 to 32 form an integral part of these financial statements.

Statement of cash flows
For the year ended December 31, 2013

	Notes	2013 AED '000	2012 'AED '000
Operating activities			
Net profit for the year		**30,207**	29,113
Adjustments for:			
Depreciation on property and equipment	5	**763**	963
Depreciation on investment property	6	**1,847**	1,853
Profit on disposal of property and equipment	22	**(156)**	(41)
Provision for employees' end of service benefits	17	**615**	442
Directors' remuneration	19	**(2,413)**	(1,905)
Insurance contract provisions		**16,442**	7,854
Reinsurance contract assets		**(12,625)**	(3,480)
Dividend and interest on long-term deposits	20	**(6,976)**	(6,084)
Income from investment property - net	21	**(11,336)**	(12,063)
Operating profit before changes in working capital		**16,368**	16,652
Changes in working capital			
Insurance receivables		**8,490**	20,165
Other receivables		**(179)**	(1,291)
Insurance payables		**(5,926)**	(1,397)
Other payables		**2,541**	753
Due from/(to) related parties-net		**7,697**	(16,150)
		28,991	18,732
Employees' end of service benefits paid	17	**(95)**	(87)
Net cash from operating activities		**28,896**	**18,645**
Investing activities			
Purchase of property and equipment	5	**(361)**	(343)
Proceeds from disposals of property and equipment		**215**	130
Dividend and interest on long-term deposits	20	**6,976**	6,084
Income from investment property - net	21	**11,336**	12,063
Cash flow from investing activities		**18,166**	17,934
Financing activities			
Dividends paid	26	**(23,100)**	(16,500)
Cash flow used in financing activities		**(23,100)**	(16,500)
Net increase in cash and cash equivalents		**23,962**	20,079
Cash and cash equivalents at beginning of the year		**31,304**	11,223
Exchange differences on translation of overseas branch		**(1)**	2
Cash and cash equivalents at the end of the year	12	**55,265**	31,304

The notes from 1 to 32 form an integral part of these financial statements.

1 Legal status and activities

Dubai National Insurance & Reinsurance (P.S.C.) (the "Company") is a public shareholding company incorporated in Dubai on January 6, 1992 with an overseas branch in Beirut, Lebanon.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the United Arab Emirates ("U.A.E.") Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and U.A.E Federal Law No. 8 of 1984 (as amended) relating to insurance companies and insurance agents.

The registered address of the Company is at Floor 7 & 9, Dubai National Insurance Building, Port Saeed, P.O Box 1806, Dubai, U.A.E.

The total number of staff employed by the Company as at December 31, 2013 was 96 (2012: 88).

The overseas branch in Beirut is in the process of being wound down. Accordingly, the related license as required by local regulations has been terminated. The related guarantee is blocked with the Ministry of Economic & Commerce, Insurance Affairs Department in Lebanon until it meets all its obligations, as published in the official gazette dated April 2004. The branch has no operations and the total expenses and assets of the branch are not material to these financial statements. Hence, these financial statements do not separately disclose the expenses, assets, liabilities and cash flows for the discontinued operations of the branch.

2 Statement of compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and applicable requirements of U.A.E. Federal Law No. 8 of 1984 (as amended) relating to commercial companies, and of U.A.E. Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations, concerning insurance companies and agents. The financial statements are prepared in U.A.E. Dirhams ("AED"), rounded off to the nearest thousand.

2.1 Standards, interpretations and amendments to existing standards

2.1(a) Standards, interpretations and amendments to existing standards that are effective in 2013

Certain revisions and amendments to existing standards were issued by the IASB, which are effective for the accounting period on or after January 1, 2013. The following are relevant to the Company:

Standard number	Title	Effective date
IAS 1	Presentation of Financial Statements – Amendment	July 1, 2012
IFRS 7	Financial Instruments: Disclosures – Amendment	January 1, 2013
IFRS 13	Fair Value Measurement – New	January 1, 2013

2.1 Standards, interpretations and amendments to existing standards (continued)

2.1 (a) Standards, interpretations and amendments to existing standards that are effective in 2013 (continued)

Standard number	Title	Effective date
	<u>Annual Improvements 2009 – 2011</u>	
IAS 1	Presentation of Financial Statements - Amendment	January 1, 2013
IAS 16	Property, Plant and Equipment – Amendment	January 1, 2013
IAS 32	Financial Instruments: Presentation - Amendment	January 1, 2013
IAS 34	Interim Financial Reporting – Amendment	January 1, 2013

2.1 (b) Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, the following new standards, interpretations and amendments to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Standard number	Title	Effective date
IAS 32	Financial Instruments: Presentation - Amendment	January 1, 2014
IAS 36	Impairment of Assets – Amendment	January 1, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendment	January 1, 2014
IFRS 10, IFRS 12 and IAS 27	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements - Amendment	January 1, 2014
IFRIC 21	Levies – New	January 1, 2014
IAS 19	Employee Benefits – Amendments	July 1, 2014
	<u>Annual Improvements 2010 – 2012</u>	
IFRS 2	Share-based Payment – Amendment	July 1, 2014
IFRS 3	Business Combinations – Amendment	July 1, 2014
IFRS 8	Operating Segments – Amendment	July 1, 2014
IFRS 13	Fair Value Measurement – Amendment	July 1, 2014
IAS 16	Property, Plant and Equipment – Amendment	July 1, 2014
IAS 38	Intangible Assets – Amendment	July 1, 2014
	<u>Annual Improvements 2011 – 2013</u>	
IFRS 1	First-time Adoption of IFRS – Amendment	July 1, 2014
IFRS 3	Business Combinations – Amendment	July 1, 2014
IFRS 13	Fair Value Measurement – Amendment	July 1, 2014
IAS 24	Related Party Disclosures	July 1, 2014
IAS 40	Investment Property – Amendment	July 1, 2014

2.1 Standards, interpretations and amendments to existing standards (continued)

2.1 (b) Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company (continued)

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on the relevant new standards, amendments and interpretations that are not yet effective have been provided below. The Company's management has yet to assess the impact of these new and revised standards on the Company's financial statements.

IAS 32 Financial Instruments: Presentation - Amendment (effective for accounting period on or after January 1, 2014)

The amendments add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off'; and
- the application of simultaneous realisation and settlement.

The amendments are required to be applied retrospectively.

IAS 36 Impairment of Assets - Amendment (effective for accounting period on or after January 1, 2014)

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

IFRS 8 Operating Segments - Amendments (effective for accounting period on or after July 1, 2014)

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'.

The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

IFRS 13 Fair Value Measurement - Amendments (effective for accounting period on or after July 1, 2014)

The amendments clarify that the issuance of IFRS 13 and consequential amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

2.1 Standards, interpretations and amendments to existing standards (continued)

2.1 (b) Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company (continued)

IAS 16 Property, Plant and Equipment - Amendments (effective for accounting period on or after July 1, 2014)

The amendments remove perceived inconsistencies in the accounting for accumulated depreciation when an item of property, plant and equipment is revalued. The amended requirements clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

An entity is required to apply to amendments to all revaluations recognised in the annual period in which the amendments are first applied and in the immediately preceding annual period. An entity is permitted, but not required, to restate any earlier periods presented.

IAS 24 Related Party Disclosures - Amendments (effective for accounting period on or after July 1, 2014)

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

IAS 40 Investment Property - Amendment (effective for accounting period on or after July 1, 2014)

The amendment clarifies that IAS 40 and IFRS 3 'Business Combinations' are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether (a) the property meets the definition of investment property in IAS 40 and (b) the transaction meets the definition of a business combination under IFRS 3 'Business Combinations'.

The amendment applies prospectively for acquisitions of investment property in periods commencing on or after July 1, 2014. An entity is only permitted to adopt the amendments early and/or restate prior periods if the information to do so is available.

3 Summary of significant accounting policies

3.1 Accounting convention

The financial statements are prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more described in the accounting policies on the next page

3.2 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

3 Summary of significant accounting policies (continued)

3.2 Property and equipment (continued)

The rates of depreciation used are based on the following estimated useful lives of the assets:

	Years
Furniture and fixtures	4-11
Motor vehicles	3
Computer equipment	4
Buildings	40

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the assets and are recognised in profit or loss within 'other income'.

3.3 Investment property

Investment property is initially recognized at cost and subsequent to the initial recognition; investment properties are accounted for using cost model and are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the investment property which is estimated at 40 years.

No depreciation is charged on freehold land.

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 gain or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Fair value of investment properties are determined by open market values based on valuations performed by an independent surveyor only for disclosure purposes.

3.4 Revenue recognition

Gross premium
Gross premium and policy fees are recognised as income when insurance policies are issued to the insured, consequent to the acceptance of the risk.

Commission on reinsurance
Commission is recognised at the time the policies are written excluding profit commission which is recognised at the time of settlement.

Interest income
Interest income is recognised on an accrual basis taking into account effective interest rates on the instrument, on a time proportionate basis when it becomes due.

Rental income
Rental income from investment property is recognised on a straight line basis over the term of the lease.

3 Summary of significant accounting policies (continued)

3.4 Revenue recognition (continued)

Dividend income
Dividend income is recognised when the right to receive payment is established.

3.5 Claims

Claims incurred comprise actual claims and other related costs paid and incurred in the year, and movement in outstanding claims. Claim handling costs are recognised at the time of registering the claims.

On account of uncertainties involved in non-motor claim recoveries, salvage and subrogation rights are recognised only at the time of actual recovery. For motor claim recoveries, salvage is accounted for at the time of registering the claims.

Provision for outstanding claims represents the estimated settlement values of all claims notified, but not settled at the statement of financial position date on the basis of individual case estimates.

The reinsurers' portion towards the above outstanding claims is classified as reinsurance contract assets and it is shown as current assets in the financial statements.

3.6 Provision for IBNR

In addition to outstanding claims a provision for Incurred But Not Reported claims ("IBNR") is made at the statement of financial position date based on management estimates of net claims. The method used by the Company to calculate the provisions takes into account certain ratios based on historical trends and details of reinsurance programmes to assess the expected quantum of reinsurance recoveries.

3.7 Liability adequacy test

All recognised insurance liabilities including provision for outstanding claims are subject to liability adequacy test at each reporting date. This involves comparison of current estimates of all contractual cash flows attached to these liabilities with their carrying amounts. Estimates of contractual cash flows include expected claim handling costs and recoveries from third parties. Any deficiency in carrying amounts is charged to the income statement by establishing a provision for losses arising from liability adequacy test.

3.8 Unearned Premium Reserve

The Unearned Premium Reserve (UPR) represents that portion of premiums earned gross of reinsurance, which relate to the period of insurance subsequent to the statement of financial position date and is computed on linear method based on the outstanding period from the date of statement of financial position up to the date of the maturity of the policy.

Change in accounting estimate

Previously, unearned premiums reserve related to general insurance business used to be calculated at the following percentages:

Marine	Minimum 25%
All other businesses	Minimum 40%

3 Summary of significant accounting policies (continued)

3.8 Unearned Premium Reserve (continued)

Change in accounting estimate (continued)

During the year management has changed the method of measuring this reserve from the above mentioned fixed ratios to linear basis over the life of insurance policies. This change has been treated as change in accounting estimate in line with the requirements of IAS 8. The reason for the change was to achieve more accurate estimate in line with the nature of this reserve.

Had there been no change in the estimate, the profit for the year would have been higher by AED 3.123 million.

These reserves are stated at gross values with re-insurance portion being shown separately under current assets.

3.9 Reinsurance premium

Ceded reinsurance premiums are accounted for in the same accounting periods as the premiums for the related direct insurance, and the unearned portion is calculated on linear basis in accordance with reinsurance arrangements in place.

3.10 Reinsurance assets

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

3.11 Financial assets

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial assets at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

3 Summary of significant accounting policies (continued)

3.11 Financial assets (continued)

Financial assets at amortised cost (continued)

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Loans and receivables comprise cash and cash equivalents, trade and most other receivables.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Investments at fair value through other comprehensive income *('FVTOCI')*

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. They are initially recognised at fair value plus transaction costs.

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable investee's data.

Gains or losses on subsequent measurement

Gain or loss arises from change in fair value of investments at FVTOCI and is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to income statement, but is reclassified to retained earnings.

De-recognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or surrendered. A financial liability is derecognised when it is extinguished. The Company uses the specific identification method to determine the gains or losses on de-recognition.

Impairment and uncollectability of financial assets

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

3 Summary of significant accounting policies (continued)

3.11 Financial assets (continued)

Investments at fair value through other comprehensive income *('FVTOCI')*

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the income statement; and

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Classification and subsequent measurement of financial assets

The Company classifies its financial assets as investments at 'fair value through other comprehensive income' ('FVTOCI') and 'loans and receivables' at amortised cost. The classification depends on the nature of these investments.

3.12 Receivables and payables related to insurance contracts

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

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and realises the impairment loss in the income statement.

3.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) are recognized in the period in which the service is rendered.

Provision for employees' end of service benefits

The provision for staff terminal benefits for all of its non-national employees is based on the liability that would arise if the employment of all the employees was terminated at the statement of financial position date, in accordance with the U.A.E. Labour Law.

Under Federal Labour Law No. 7 of 1999 for pension and social security employers are required to contribute 12.5% of the 'contribution calculation salary' (basic salary plus allowances) of those employees who are U.A.E. nationals. These employees are also required to contribute 5% of the 'contribution calculation salary' to the scheme. The Company's contribution is recognised as an expense in the income statement as incurred. The employees and employers' contribution, to the extent remaining unpaid at the statement of financial position date, are shown under provisions.

3 Summary of significant accounting policies (continued)

3.14 Foreign currency transactions

Transactions in foreign currencies are translated to U.A.E. Dirhams ('AED') at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3.15 Impairment

The carrying amounts of the Company's assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the income statement.

3.16 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

3.17 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits balances with original maturities of less than 3 months and free from lien. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of cash flows.

3.18 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3 Summary of significant accounting policies (continued)

3.18 Provisions, contingent liabilities and contingent assets (continued)

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

3.19 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other details for reserves are mentioned in notes 14, 15 and 16 to the financial statements.

Retained earnings include all current and prior period retained profits.

Dividend distribution payable to equity shareholders is included in other liabilities only when the dividends have been approved in a general assembly meeting prior to the reporting date.

3.20 Critical accounting estimates and judgements in applying accounting policy

Outstanding claims, IBNR and UPR

The estimation of the ultimate liability (outstanding claims and IBNR) arising from claims and UPR made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

Classification of investment property and related fair value judgement

The Company makes judgement to determine whether a property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner occupied property is not significant and is classified accordingly as investment property.

Fair value of investment property is estimated by an independent professional valuer for disclosure purposes only, considering the rental yield (income approach). This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Unquoted investments

Unquoted securities as at December 31, 2013 were fair valued by an independent valuer based on Earnings Multiple technique to arrive at the estimated fair value of these investments. The independent valuer considered observable market data of comparable public entities and certain unobservable investee's data.

Provision for doubtful debts

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of insurance and reinsurance receivables based on internal estimates.

3 Summary of significant accounting policies (continued)

3.20 Critical accounting estimates and judgements in applying accounting policy (continued)

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.21 Segment reporting

Under IFRS 8 "Operating Segments", reported segments' profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies used by the Company for segment reporting under IFRS 8 are the same as those used in its financial statements.

4 Statutory deposits

	2013 AED '000	2012 AED '000
(i) Deposit with a local bank in Dubai, U.A.E. held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 42 of Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations relating to insurance companies and brokers. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.	**10,000**	10,000
(ii) Restricted fixed deposit in favour of the Ministry of Economy & Commerce, Government of Lebanon, as per law no. 31/91 of Insurance companies held under lien by bank against guarantee issued deposit in LL 110 million (2012: LL 110 million).	**268**	268
	10,268	10,268

5 Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
Cost				
At January 1, 2013	1,723	703	2,601	5,027
Additions	73	35	253	361
Disposals	-	(327)	-	(327)
At December 31, 2013	**1,796**	**411**	**2,854**	**5,061**
Accumulated depreciation				
At January 1, 2013	1,433	521	2,018	3,972
Charge for the year	217	107	439	763
Disposals	-	(267)	-	(267)
At December 31, 2013	**1,650**	**361**	**2,457**	**4,468**
Net book value At December 31, 2013	**146**	**50**	**397**	**593**
Cost				
At January 1, 2012	1,743	703	2,644	5,090
Additions	48	135	160	343
Disposals	(68)	(135)	(203)	(406)
At December 31, 2012	1,723	703	2,601	5,027
Accumulated depreciation				
At January 1, 2012	1,167	455	1,704	3,326
Charge for the year	316	130	517	963
Disposals	(50)	(64)	(203)	(317)
At December 31, 2012	1,433	521	2,018	3,972
Net book value At December 31, 2012	290	182	583	1,055

6 Investment property

	2013 AED '000	2012 AED '000
Cost		
At January 1,	**105,721**	105,721
Accumulated depreciation		
At January 1,	**18,733**	16,880
Charge for the year	**1,847**	1,853
At December 31,	**20,580**	18,733
Net book value at December 31,	**85,141**	86,988

On December 31, 2013, Land Sterling Property Consultants, independent and experienced professional valuer estimated the fair value of the investment properties at AED 175.9 million (2012: AED 160.5 million). The valuer holds relevant professional qualification and experience. The properties are held for capital appreciation and for rental purposes. The Company occupies an insignificant area of 9% (2012: 9%) of these properties for use in its own business.

7 Financial assets

Financial instruments measured at fair value

Financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets
- Level 2 – 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)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair values of the financial assets are classified into these three levels as follows:

	Note	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
December 31, 2013					
Investment in quoted securities	(a)	199,361	-	-	199,361
Investment in unquoted securities*	(b)	-	-	29,500	29,500
Net fair value		199,361	-	29,500	228,861
December 31, 2012					
Investment in quoted securities	(a)	93,716	-	-	93,716
Investment in unquoted securities*	(b)	-	-	24,846	24,846
Net fair value		93,716	-	24,846	118,562

7 Financial assets (continued)

Financial instruments measured at fair value (continued)

* The title of the unquoted securities is held by related parties for the beneficial interest of the Company.

(a) Investment in quoted securities:
Fair values have been determined by reference to their quoted prices at the reporting date.

(b) Investment in unquoted securities:
Unquoted securities as at December 31, 2013 were fair valued by an independent valuer based on Earnings Multiple Technique. The expert used observable market data of comparable public entities, applied certain discount factors and used unobservable financial data of these non-public investees. Since latest financial information of investee entities was not publicly available until the date of the issue of these financial statements, the valuer used financial information reported as at December 31, 2012 (2012: based on Net Assets Value per the financial statements of investee entities as on December 31, 2011). The valuer believes that the fair value would not be significantly different if the data of investee entities as at December 31, 2013 could be used based on availability; however this has been treated as a significant estimate considering the non-availability of required data.

Level 3 value measurements

The reconciliation of carrying amounts of financial instruments classified within level 3 is as follows:

	2013	2012
	AED '000	AED '000
Investments in unquoted securities		
Balance as at January 1,	**24,846**	25,736
Gains or losses recognised in other comprehensive income	**4,654**	(890)
Balance as at December 31	**29,500**	24,846

8 Insurance receivables

	2013	2012
	AED '000	AED '000
Due from policy holders	**5,731**	4,144
Due from insurance companies	**8,498**	10,126
Due from reinsurance companies	**2,417**	6,980
Due from insurance brokers	**14,426**	18,306
	31,072	39,556
Provision for doubtful debts	**(4,334)**	(4,328)
	26,738	35,228

The average credit period is 90 days. Insurance receivables outstanding over one year, which are impaired and not recoverable, are fully provided.

9 Other receivables

	2013	2012
	AED '000	AED '000
Prepayments	**1,880**	1,709
Accrued interest	**97**	114
Other receivables	**584**	559
	2,561	2,382

10 Related party balances

Details of related parties' balances are as follows:

Amounts due from related parties

Related parties due to common directorship

	2013	2012
	AED '000	AED '000
Al Habtoor Leighton L.L.C.	**5,058**	6,679
Diamond Lease L.L.C.	**783**	6,417
Other Habtoor Group companies	**1,097**	2,246
	6,938	15,342

Amounts due to related parties

	2013	2012
	AED '000	AED '000
Due to shareholder:		
Al Habtoor Motors Co L.L.C.	**3,331**	4,150
Other (related parties due to common directorship):		
Other Habtoor Group companies	**173**	61
	3,504	4,211

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as contained in IFRS. Management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

Details of significant transactions with related parties are on the following page:

10 Related party balances (continued)

	2013 AED '000	2012 AED '000
Premiums written	**62,756**	50,808
Claims paid	**11,564**	13,337
Commission paid	**4,044**	2,848
Agency / Non-Agency repairs	**20,689**	14,384
Key management remuneration		
Short term benefits	**2,303**	2,789
Post-employment benefits	**177**	644
	2,480	3,433

11 Insurance contracts provisions and reinsurance contract assets

Assumptions and sensitivities

The process used to determine assumptions for assessing claims provision is reviewed and updated to be consistent with observable market practices and other reliable information to result in most likely expected outcome.

However, considering the nature of business it cannot be predicted with certainty the likely outcome and the actual cost of the claim. But each claim is assessed on a case to case basis depending upon information available and past trends.

An analysis of sensitivity is carried out for various claims which are an indication for establishing the adequacy of the estimation process. The management believes that the liability for claims reported in the statement of financial position is adequate.

Claims development

For all classes of business underwritten by the Company the uncertainty is typically resolved generally within one year except for Motor Insurance where the uncertainty is generally resolved within three years. Claims development over the last five years is analysed in the following page:

11 Insurance contracts provisions and reinsurance contract assets (continued)

Underwriting year	2009 & prior AED'000	2010 AED'000	2011 AED'000	2012 AED'000	2013 AED'000	Total AED'000
Estimate of cumulative claims						
At the end of underwriting year	797,209	67,934	68,554	43,525	66,088	
One year later	831,981	83,323	78,038	63,477	-	
Two years later	727,759	81,105	79,978	-	-	
Three years later	723,085	75,812	-	-	-	
Four years later	717,693	-	-	-	-	
Estimate of cumulative claims	717,693	75,812	79,978	63,477	66,088	**1,003,048**
Cumulative payments to date	675,715	71,522	73,180	50,740	45,031	**916,188**
Provision for outstanding claims as on December 31, 2013	41,978	4,290	6,798	12,736	21,057	**86,859**
IBNR and other reserves as on December 31, 2013	-	-	-	-	12,612	**12,612**
Gross outstanding claims as on December 31, 2013	41,978	4,290	6,798	12,736	33,669	**99,471**
Reinsurer's share of outstanding claims as on December 31, 2013	35,852	3,477	4,640	9,800	16,882	**70,651**
Net outstanding claims as on December 31, 2013	6,126	813	2,158	2,936	16,787	**28,820**
Provision for outstanding claims as on December 31, 2012	49,150	9,832	9,145	27,308	-	**95,435**
Reinsurer's share of outstanding claims as on December 31, 2012	41,847	7,422	7,526	9,982	-	**66,777**

11 Insurance contracts provisions and reinsurance contract assets (continued)

		2013			2012		
		Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000	Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000
Unearned Premium Reserves	a	59,673	(37,042)	22,631	47,267	(28,291)	18,977
Insurance contract provisions	b	86,859	(70,651)	16,208	82,516	(66,777)	15,739
Provision for IBNR	c	12,612	-	12,612	12,919	-	12,919
Closing balance		159,144	(107,693)	51,451	142,702	(95,068)	47,635

a) Unearned premium reserve

		2013			2012		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at January 1,	(i)	47,267	(28,291)	18,977	38,216	(23,922)	14,294
Provision made during the year		59,673	(37,042)	22,631	47,267	(28,291)	18,977
Provision released during the year		(47,267)	28,291	(18,977)	(38,216)	23,922	(14,294)
Net movement during the year	(ii)	12,406	(8,751)	3,654	9,051	(4,369)	4,683
Balance as at December 31,	(i+ii)	59,673	(37,042)	22,631	47,267	(28,291)	18,977

11 Insurance contracts provisions and reinsurance contract assets (continued)

b) Insurance contract provisions

		2013			2012		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at January 1,	(i)	82,516	(66,777)	15,739	83,775	(67,666)	16,109
Provision made during the year		77,295	(45,015)	32,280	46,116	(26,373)	19,743
Settled during the year		(72,952)	41,141	(31,811)	(47,375)	27,262	(20,113)
Net movement during the year	(ii)	4,343	(3,874)	469	(1,259)	889	(370)
Balance as at December 31,	(i + ii)	86,859	(70,651)	16,208	82,516	(66,777)	15,739

c) Provision for IBNR

		2013			2012		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at January 1,	(i)	12,919	-	12,919	12,857	-	12,857
Provision made during the year		12,612	-	12,612	12,919	-	12,919
Provision released during the year		(12,919)	-	(12,919)	(12,857)	-	(12,857)
Net movement during the year	(ii)	(307)	-	(307)	62	-	62
Balance as at December 31,	(i + ii)	12,612	-	12,612	12,919	-	12,919

12 Cash and cash equivalents

	2013 AED'000	2012 AED '000
Cash in hand and at banks	**55,265**	31,304
	======	======

(a) Cash at banks includes AED 0.18 million (2012: AED 0.3 million) converted from Lebanese Lira (LL).

(b) Cash and bank includes short term deposits (3 months) with local banks carrying interest ranging from 0.5% - 1.25% (2012: 0.8% - 2.5%).

13 Share capital

The authorised and issued share capital comprises 115,500,000 fully paid-up shares of AED 1 each (Previous year 115,500,000 fully paid-up share of AED 1 each):

	2013 No of shares	2013 AED '000	2012 No of shares	2012 AED '000
Balance at December 31	115,500,000	115,500	115,500,000	115,500
	========	========	========	========

14 Legal reserve

In accordance with the Company's Articles of Association and Article 192 of the U.A.E. Federal Law No. 8 of 1984 (as amended), a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance on the legal reserve equals 50% of the Company's paid-up share capital. During the year the Company has transferred AED 0.302 million (2012: AED 2.911 million), being 1% of the net profit to the Legal Reserve to meet the limit.

15 Obligatory reserve

In accordance with the Company's Articles of Association, at least 10% of the Company's annual net profits (before directors' fees) must be transferred to a non-distributable obligatory reserve. Such transfers are required until the balance on this reserve equals 25% of the Company's paid-up share capital, or until the transfer is suspended by resolution of the shareholders. During the year the Company has transferred AED NIL (2012: AED 1.375 million), to the Obligatory Reserve as the limit has already been met during the previous year.

16 General reserve

This reserve can be utilised for any purpose proposed by the Board of Directors subject to approval by the General Assembly.

17 Employees' end of service benefits

	2013 AED '000	2012 AED '000
Balance at January 1, 2013	**2,116**	1,761
Charge for the year	**615**	442
Payments during the year	**(95)**	(87)
Balance at December 31, 2013	**2,636**	2,116

18 Insurance payables

	2013 AED '000	2012 AED '000
Trade creditors	**6,012**	5,143
Insurance companies	**2,357**	2,198
Re-insurance companies	**23,889**	31,158
Brokers payable	**2,002**	1,218
Premium reserve withheld	**2,519**	2,988
	36,779	42,705

19 Other payables

	2013 AED '000	2012 AED '000
Accrued expenses	**2,510**	2,926
Provision for staff benefits	**2,055**	1,798
Directors' remuneration *	**2,413**	1,905
Other payables	**9,284**	7,092
	16,262	13,721

* Directors' remuneration is an appropriation of net profit for the year in accordance with Article 118 of U.A.E. Federal Law No. 8 of 1984 (as amended), by The Ministry of Economy and Planning and also as per the Articles of Association of the Company.

20 Income from investments - net

	2013 AED '000	2012 AED '000
Dividend income on securities	**6,686**	5,718
Interest income – net	**290**	366
	6,976	6,084

21 Income from investment property - net

	2013 AED '000	2012 AED '000
Gross rental income	**15,041**	15,695
Maintenance expenses	**(3,705)**	(3,632)
Depreciation (note 5)	**(1,847)**	(1,853)
	9,489	10,210

22 Other income

	2013 AED '000	2012 AED '000
Gain on disposal of property and equipment	**156**	41

23 General and administrative expenses

	2013 AED '000	2012 AED '000
Personnel costs	**14,671**	13,354
Other operational expenses	**5,207**	6,875
	19,878	20,229

24 Earnings per share

	2013	2012
Net profit for the year AED '000'	**30,207**	29,113
Weighted average number of shares outstanding (note 13)	**115,500,000**	115,500,000
Earnings per share (AED)- Basic and diluted	**0.26**	0.25

25 Segment reporting

The Company operates two main business segments: Underwriting and Investments.

Underwriting segment is further classified into General Insurance and Life & Health Insurance. Investments segment comprises Investment Property and Financial Assets. The Life insurance provided by the Company is for a period of 12 months and does not include any investment portion.

25 Segment reporting (continued)

	2013 AED '000			2012 AED '000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment revenue	**166,633**	**22,017**	**188,650**	128,193	21,779	149,972
Segment result	**33,621**	**16,464**	**50,085**	33,048	16,294	49,342
Unallocated administrative cost			**(19,878)**			(20,229)
Net profit for the year			**30,207**			29,113
Segment assets	**144,524**	**314,001**	**458,525**	149,075	205,550	354,625
Unallocated assets			**65,533**			41,572
Total assets			**524,058**			396,197
Segment liabilities	**215,908**	**2,417**	**218,325**	202,346	3,109	205,455
Unallocated liabilities			**-**			-
Total liabilities			**218,325**			205,455

Underwriting results are further classified as follows:

	AED'000		
2013	**General business**	**Life & health**	**Total**
Gross premiums written	**111,923**	**54,710**	**166,633**
Gross underwriting income	**48,460**	**16,977**	**65,437**
Net claims incurred	**23,852**	**8,121**	**31,973**
Net Underwriting income	**24,608**	**8,856**	**33,464**
2012			
Gross premiums written	94,185	34,008	128,193
Gross underwriting income	44,171	8,642	52,813
Net claims incurred	15,008	4,798	19,806
Net Underwriting income	29,163	3,844	33,007

26 Proposed dividend

The Board has proposed cash dividend of 20% of paid up share capital, AED 23.1 million (AED 0.20 per share) for the year ended December 31, 2013.

During the previous year, the Board proposed a cash dividend of AED 23.1 million (AED 0.20 per share) representing 20% of the paid up capital as at December 31, 2012. This was approved at the Annual General Meeting held on 17 March 2013.

27 Commitments and contingencies

	2013 AED '000	2012 AED'000
Financial guarantee	**508**	3,908
	=====	======

Guarantees of AED 0.3 million (2012: AED 0.3 million) issued by banks are secured by way of deposits held.

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

28 Operating lease

Leases as a lessor

The Company has leased out its investment properties under various operating leases.

Operating lease rentals receivable are:

	2013 AED '000	2012 AED '000
Due within one year	**10,715**	10,018
Due within two to five years	**2,015**	277
	======	======

Leases as a lessee

At the statement of financial position date, there were no major outstanding commitments under non-cancellable operating leases.

29 Capital commitments

At the statement of financial position date, there were no major capital commitments (2012: nil).

30 Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, life, accident health, financial or other perils that may arise from an insurable event.

The Company also has exposure to market risk through its insurance and investment activities. The Company manages the risk through well laid out procedures and delegation levels for both underwriting and settlement of claims.

30 Risk management objectives and policies for mitigating insurance risk (continued)

The Company has structured policies for acceptance and pricing risks. Experienced and qualified professionals undertake the assessment of risks and pricing, with a conservative and cautious approach. Survey, risk measurement, sensitivity analysis, reinsurance term etc., are followed meticulously before acceptance of risk. Apart from these study of portfolio, probability, market trend, past history are all considered for pricing.

Underwriting strategy

This involves the Company's own risk assessment procedures and is based on a balanced portfolio. It is set out in terms of industry, type of exposures, limits for each class, and quality of risks with acceptance levels. This is percolated down to the lower levels of the underwriting sections with the authorities specified along with their limits. Risk selection is set out as per the Company's risk management policies.

Managing reinsurance risk

The Company carries reinsurance cover to minimise exposure to potential losses arising from large insurance claims and consequently in the normal course of business enters into arrangements with other parties for reinsurance purposes. 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 arrangements.

This reinsurance is through proportional treaty and facultative reinsurance contracts. The reinsurers are selected based on their standing in the market, rating, relationship experience and length of association.

Reinsurance recoverable is monitored on a regular basis and through exchange of statements which are duly reconciled.

Terms and conditions of insurance contracts

Insurance contracts are based on uncertainty. As such the terms and conditions of insurance contracts varies but are generally based on norms as applied in the Insurance Market.

Sensitivity of underwriting profits and losses

The contribution from insurance operations to the profit of the Company amounts to AED 33.464 million for the year ended December 31, 2013 (2012: AED 33.007 million)

The Company does not foresee any major impact from insurance operations on account of the following:

- The overall risk retention level of the Company in the year ended December 31, 2013 is 39% (2012: 38%). The Company has initiated series of enterprise-wide risk management measures which includes acceptance and transfer of risks. Appropriate Excess of Loss protections have been designed and placed. The insurance liabilities of the Company are being adequately covered by Treaty/Facultative arrangements with rated reinsurance companies and Excess of Loss reinsurance programs to safeguard against any major financial impact.

- The Company's commissions earned from reinsurance placements are consistent and remain a comfortable source of income.

30 Risk management objectives and policies for mitigating insurance risk (continued)

Sensitivity of underwriting profits and losses (continued)

- Because of the low risk retention in all classes of business, the Company does not foresee any serious financial impact in the insurance net profits due to changes in the loss ratios.

31 Financial instruments

The financial assets of the Company include cash at bank and in hand, insurance receivables, certain reinsurance contract assets, other receivables, due from related parties and investments. Financial liabilities include insurance payables, other payables, due to related parties and certain insurance contract provisions. Accounting policies for each class of financial assets and liabilities are set out in note 3.

Categories of financial instruments

Year - 2013

Assets	At amortised cost AED'000	FVTOCI AED'000	Insurance contracts AED'000	Total AED'000
Financial instruments				
Statutory deposits	10,268	-	-	10,268
Reinsurance contract assets	-	-	70,651	70,651
Cash and cash equivalents	55,265	-	-	55,265
Financial assets	-	228,861	-	228,861
Insurance receivables		-	26,738	26,738
Other receivables	681	-	-	681
Due from related parties	6,938	-	-	6,938
Total financial assets	73,152	228,861	97,389	399,402

31 Financial instruments (continued)

Categories of financial instruments (continued)

Year - 2012

Assets	**At amortised Cost AED'000**	**FVTOCI AED'000**	**Insurance Contracts AED'000**	**Total AED'000**
Financial instruments				
Statutory deposits	10,268	-	-	10,268
Reinsurance contract assets	-	-	66,777	66,777
Cash and cash equivalents	31,304		-	31,304
Financial assets	-	118,562	-	118,562
Insurance receivables		-	35,228	35,228
Other receivables	673	-	-	673
Due from related parties	15,342	-	-	15,342
Total financial assets	57,587	118,562	102,005	278,154

Year - 2013

Liabilities

	At amortised cost AED'000	**Insurance contracts AED'000**	**Total AED'000**
Insurance contract provision	-	99,471	99,471
Insurance and other payables	16,262	36,779	53,041
Due to related parties	3,504	-	3,504
Total liabilities	19,766	136,250	156,016

Year - 2012

Liabilities	**At amortised cost AED'000**	**Insurance contracts AED'000**	**Total AED'000**
Insurance contract provision	-	95,435	95,435
Insurance and other payables	13,721	42,705	56,426
Due to related parties	4,211	-	4,211
Total liabilities	17,392	138,140	156,072

31 Financial instruments (continued)

Capital management

The Company's objective when managing capital risks are:

1) To comply with the Insurance Capital Requirements required by the U.A.E. Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations concerning Insurance Companies and Agents. The minimum regulatory capital for Insurance Companies which must be maintained at all times throughout the year as per U.A.E. Law is AED 100,000,000/- (2012: AED 100,000,000/-).

2) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to the shareholders.

3) To provide an adequate rate of return to shareholders by pricing products and services commensurate with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders or issue new shares.

There were no changes made in the objectives, policies or processes during the years ended December 31, 2013 and December 31, 2012.

The table below summarises the minimum regulatory capital of the Company and the actual equity held by the Company at the end of the year:

	2013	2012
	AED'000	AED'000
Cash and cash equivalents	**55,265**	31,304
Total equity held	**305,733**	190,742
	=======	=======
Minimum Regulatory Capital	**100,000**	100,000
	=======	=======

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, liquidity risk, foreign exchange risk and market risk. The broad review and agreed policies for management of these risks are summarised below:

Credit risk

Credit risk is the risk that one party to a contract underlying a financial instrument will fail to discharge its obligations causing the other party to incur a financial loss.

All of the Company's underwriting activities are carried out in the United Arab Emirates. Cash is placed with a group of banks with good credit ratings. Credit risk on account receivables is spread, as they are due from a large number of customers. Credit risk with respect to 'due from insurers' and due from brokers is diversified due to the dispersion of amounts recoverable over a large number of insurers and brokers.

31 Financial instruments (continued)

Credit risk (continued)

Credit risk with respect to reinsurers is mitigated by placement only with those Companies having an acceptable rating.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

The following table provides an age analysis of receivables arising from insurance.

	Neither past due nor impaired	Past due					
		<120 days	120-180 days	>180 days	Total	Past due and impaired	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2013	**18,384**	**2,946**	**2,026**	**7,716**	**31,072**	**(4,334)**	**26,738**
31 December 2012	22,227	4,131	4,936	8,262	39,556	(4,328)	35,228

The Company believes that overdue debtors are not impaired except those already provided for.

Liquidity risk

Liquidity risk is the risk that the Company faces in meeting its present and future financial obligations in a timely manner. Solvency risk refers to the excess of assets over liabilities, and hence, to the adequacy of the Company's capital. The Company is required to maintain an adequate level of liquidity by the regulatory requirements currently in force in the U.A.E.

Liquidity requirements are monitored by the management to ensure sufficient funds are available to meet commitments as they arise. The table on the next page summarised the contractual maturity of various financial instruments:

31 Financial instruments (continued)

Liquidity risk (continued)

Year -2013

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Assets					
Statutory deposits	-	-	-	10,268	10,268
Financial assets	-	-	-	228,861	228,861
Insurance receivables	5,667	14,929	3,703	2,439	26,738
Other receivables	26	289	-	366	681
Due from related parties	435	2,613	1,934	1,956	6,938
Cash in hand and at banks including deposits:					
Interest bearing	2,256	24,995	18,002	10,000	55,253
Non-interest bearing	12	-	-	-	12
	8,396	42,826	23,639	253,890	328,751
Liabilities					
Insurance and other payables	3,332	27,236	12,502	9,971	53,041
Due to related parties	61	1,132	1,649	662	3,504
	3,393	28,368	14,151	10,633	56,545

Year -2012

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Assets					
Statutory deposits	-	-	-	10,268	10,268
Financial assets	-	-	-	118,562	118,562
Insurance receivables	4,630	11,342	15,996	3,260	35,228
Other receivables	-	100	-	573	673
Due from related parties	767	6,447	6,921	1,207	15,342
Cash in hand and at banks including deposits:					
Interest bearing		21,292		10,000	31,292
Non-interest bearing	12				12
	5,409	39,181	22,917	143,870	211,377

31 Financial Instruments (continued)

Liquidity risk (continued)

Year -2012 (continued)

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Liabilities					
Insurance and other payables	3,506	23,016	19,646	10,258	56,426
Due to related parties	352	1,062	2,109	688	4,211
	3,858	24,078	21,755	10,946	60,637

Interest rate risk

The interest risk is the risk that the value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company has interest bearing deposits in commercial banks having effective interest rate (0.5%-1.25%). The interest rate is floating in nature. However, the Company does not foresee any material impacts due to interest rate fluctuations in the foreseeable future as the total amount of interest income was not material and there were no significant movements noted during the year in the interest rates.

Exchange risk

A major portion of the Company's liabilities and assets are denominated in AED or US Dollars, barring Beirut Branch which is in Lebanese Lira. However since the US Dollar is effectively pegged to AED, there is minimal risk. Moreover assets and liabilities in Beirut branch are not considered to be significant to the Company's assets and liabilities hence no significant exposure expected.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its investments in quoted and unquoted shares.

The Company limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in stock markets. In addition, the Company actively monitors the key factors that affect stock movements, including analysis of the operational and financial performance of investee.

All the Company's investments are within the United Arab Emirates.

31 Financial instruments (continued)

Sensitivity of equity prices

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 10% higher/lower:

- net profit for the year ended 31 December 2013 would have been unaffected as the equity investments are classified as Fair Value Through Other Comprehensive Income and no investments were disposed of during the year; and

- equity reserve for Fair Value Through Other Comprehensive Income investments would increase/decrease by AED 22.89 million (2012: increase/decrease by AED 11.86 million) as a result of the changes in Fair Value Through Other Comprehensive Income.

Method and assumptions for sensitivity analysis

- As at the statement of financial position date if the equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on equity has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

32 Post-reporting date events

Except for the proposed cash dividend of 20% of paid up capital for the year ended December 31, 2013 (note 26) there are no adjusting or significant non-adjusting events which have occurred between the reporting date and the date of authorisation of these financial statements.