ALLIANCE INSURANCE P.S.C.

Review report and interim financial information for the period ended 31 March 2014

ALLIANCE INSURANCE P.S.C.

Contents | **Pages**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Alliance Insurance P.S.C.
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed statement of financial position of **Alliance Insurance P.S.C. (the "Company"), Dubai, United Arab Emirates,** as at 31 March 2014 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: *"Interim Financial Reporting"*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

The financial statements of the Company for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 19 February 2014. Furthermore, the interim financial information of the Company for the period from 1 January 2013 to 31 March 2013 were reviewed by another auditor who expressed an unmodified conclusion on 9 May 2013.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
8 May 2014

Condensed statement of financial position at 31 March 2014

	Notes	31 March 2014 AED (Unaudited)	31 December 2013 AED (Audited)
ASSETS			
Non-current assets			
Property and equipment	5	**3,180,882**	3,234,011
Investment properties	6	**179,669,600**	179,669,600
Investments designated at fair value through other comprehensive income (FVTOCI)	7	**40,481,466**	32,255,892
Financial investments at amortized cost		**36,101,740**	36,070,067
Policyholders' loans		**48,778,942**	47,334,317
Financial assets – deposits	7	**34,463,572**	34,051,007
Statutory deposit	8	**10,000,000**	10,000,000
Total non-current assets		**352,676,202**	342,614,894
Current assets			
Re-insurance contract assets	9	**103,893,683**	51,201,963
Insurance and other receivables		**86,022,867**	64,877,142
Financial assets – deposits	7	**679,881,663**	681,074,365
Cash and cash equivalents	10	**25,889,794**	26,671,117
Total current assets		**895,688,007**	823,824,587
Total assets		**1,248,364,209**	1,166,439,481
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**100,000,000**	100,000,000
Statutory reserve	12	**56,742,450**	56,742,450
Regular reserve	13	**47,153,250**	47,153,250
General reserve	14	**165,000,000**	160,000,000
Cumulative change in fair value of securities		**1,990,488**	(6,235,086)
Retained earnings		**18,976,084**	35,359,714
Total equity		**389,862,272**	393,020,328
Non-current liabilities			
Provision for employees' end of service indemnity		**4,772,395**	4,826,891
Policyholders' funds		**589,000,848**	577,807,552
Total non-current liabilities		**593,773,243**	582,634,443
Current liabilities			
Insurance contract liabilities	9	**128,473,828**	76,534,754
Insurance and other payables		**136,254,866**	114,249,956
Total current liabilities		**264,728,694**	190,784,710
Total liabilities		**858,501,937**	773,419,153
Total equity and liabilities		**1,248,364,209**	1,166,439,481

Sheikh Ahmed Bin Saeed Al Maktoum Chairman	Juma Saif Rashid Bin Bakhit Vice- Chairman	Aimen Saba Azara Director and Gerneral Manager

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

Condensed statement of income (unaudited)
for the period ended 31 March 2014

	Notes	Three month period ended 31 March 2014 AED	2013 AED
Net underwriting profit – General		**5,680,194**	5,589,467
Interest income on deposits – General		**2,585,317**	2,520,881
Income from investment property (net)		**1,297,994**	1,268,629
Profit from investment activities		**561,488**	593,757
Other income		**786,160**	428,410
Profit from general insurance business	**18**	**10,911,153**	10,401,144
Surplus transferred from long- term business (life) account	**18**	**2,705,217**	3,163,952
Profit for the period		**13,616,370**	13,565,096
Basic earnings per share	**15**	**13.62**	13.57

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

Condensed statement of comprehensive income (unaudited) for the period ended 31 March 2014

	Three month period ended 31 March	
	2014	2013
	AED	AED
Profit for the period	**13,616,370**	13,565,096
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Net fair value gain on investments designated at FVTOCI	**8,225,574**	1,028,417
Gain on sale of investments designated at FVTOCI	-	183,326
Total other comprehensive income for the period	**8,225,574**	1,211,743
Total comprehensive income for the period	**21,841,944**	14,776,839

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

ALLIANCE INSURANCE P.S.C.

Condensed statement of changes in equity
for the period ended 31 March 2014

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Cumulative change in fair value of securities AED	Retained earnings AED	Total AED
Balance at 31 December 2012 (Audited)	100,000,000	52,316,417	42,727,217	140,000,000	(18,012,687)	35,797,863	352,828,810
Profit for the period	-	-	-	-	-	13,565,096	13,565,096
Other comprehensive income for the period	-	-	-	-	1,211,743	-	1,211,743
Total comprehensive income for the period	-	-	-	-	1,211,743	13,565,096	14,776,839
Dividend (Note 16)	-	-	-	-	-	(15,000,000)	(15,000,000)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	-	238,249	(238,249)	-
Transfer to statutory reserve	-	1,356,510	-	-	-	(1,356,510)	-
Transfer to regular reserve	-	-	1,356,510	-	-	(1,356,510)	-
Transfer to general reserve	-	-	-	20,000,000	-	(20,000,000)	-
Balance at 31 March 2013 (Unaudited)	100,000,000	53,672,927	44,083,727	160,000,000	(16,562,695)	11,411,690	352,605,649

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

Condensed statement of changes in equity
for the period ended 31 March 2014 (continued)

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Cumulative change in fair value of securities AED	Retained earnings AED	Total AED
Balance at 31 December 2013 (Audited)	100,000,000	56,742,450	47,153,250	160,000,000	(6,235,086)	35,359,714	393,020,328
Profit for the period	-	-	-	-	-	13,616,370	13,616,370
Other comprehensive income for the period	-	-	-	-	8,225,574	-	8,225,574
Total comprehensive income for the period	-	-	-	-	8,225,574	13,616,370	21,841,944
Dividend (Note 16)	-	-	-	-	-	(25,000,000)	(25,000,000)
Transfer to general reserve	-	-	-	5,000,000	-	(5,000,000)	-
Balance at 31 March 2014 (Unaudited)	**100,000,000**	**56,742,450**	**47,153,250**	**165,000,000**	**1,990,488**	**18,976,084**	**389,862,272**

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

Condensed statement of cash flows (unaudited) for the period ended 31 March 2014

	Three month period ended 31 March 2014 AED	2013 AED
Cash flows from operating activities		
Profit for the period	**13,616,370**	13,565,096
Adjustments for:		
Depreciation of property and equipment	**67,356**	50,875
Increase in policyholders' fund	**11,193,296**	9,829,167
Income from deposits	**(7,463,148)**	(7,543,818)
Income from debt securities	**(484,139)**	-
Dividend income on securities	**(573,231)**	(593,760)
Interest on policyholders' loans	**(819,780)**	(712,661)
Income from investment properties	**(3,582,002)**	(3,448,361)
Amortization on financial investments	**(31,673)**	-
Provision for employees' end of service indemnity	**94,229**	378,032
Operating cash flows before changes in operating assets and liabilities	**12,017,278**	11,524,570
Increase in insurance and other receivables	**(21,145,725)**	(25,020,992)
Increase in reinsurance contract assets	**(52,691,720)**	(2,695,186)
Increase in insurance contract liabilities	**51,939,074**	1,567,359
(Decrease)/increase in insurance and other payables	**(2,995,090)**	26,427,850
Cash (used in)/generated from operations	**(12,876,183)**	11,803,601
Employees' end of service indemnity paid	**(148,725)**	(66,078)
Net cash (used in)/generated from operating activities	**(13,024,908)**	11,737,523
Cash flows from investing activities		
Purchase of property and equipment	**(14,227)**	(187,211)
Net increase in policyholders' loans	**(624,845)**	(701,660)
Proceeds from disposal of financial assets	-	3,818,114
Income received on deposits	**8,872,165**	3,785,791
Income received from debt securities	**484,139**	-
Dividend income received	**573,231**	593,760
Deposits made during the period – net	**(628,880)**	(20,272,681)
Income from investment properties	**3,582,002**	3,448,361
Net cash generated from/(used in) investing activities	**12,243,585**	(9,515,526)
Net (decrease)/increase in cash and cash equivalents	**(781,323)**	2,221,997
Cash and cash equivalents at the beginning of the period	**26,671,117**	16,878,392
Cash and cash equivalents at the end of the period	**25,889,794**	19,100,389

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

Notes to the condensed financial statements
for the period ended 31 March 2014

1. General information

Alliance Insurance P.S.C. (the "Company") is a Public Shareholding Company which was originally established in Dubai on 1 July 1975 as a limited liability company under the name of Credit and Commerce Insurance Company. The Company was subsequently incorporated in Dubai on 6 January 1982 as a limited liability company under an Emiri Decree. The Company became a Public Shareholding Company in January 1995, in accordance with the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended).

The Company underwrites all classes of general, life and health insurance business in accordance with the provisions of the UAE Federal Law No. 6 of 2007 relating to establishment of Insurance Authority and Organization of its Operations and executive regulations of 2010.

The registered address of the Company is Warba Centre, P.O. Box 5501, Dubai, UAE.

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

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

The following new and revised IFRSs have been adopted in these condensed financial statements. The application of these revised and new 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.

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to 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
• 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 IFRSs.	1 January 2014

Notes to the condensed financial statements
for the period ended 31 March 2014 (continued)

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 19 *Employee Benefits* 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
• 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 amortization on revaluation.	1 July 2014
• 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.	1 July 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2015 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. Summary of significant accounting policies

3.1 Basis of preparation

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

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

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

The accounting policies, presentation and methods in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2013.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2013. In addition, results for the three month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The accounting policies in respect of investment properties, investment in securities and property and equipment disclosed in the annual audited financial statements are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

3.2 Property and equipment

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

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

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

	Years
Furniture and fixtures	4
Office equipment	4
Motor vehicles	4

3.2.1 Impairment testing of property and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level

3. Summary of significant accounting policies (continued)

3.2 Property and equipment (continued)

3.2.1 Impairment testing of property and equipment (continued)

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, such as market and asset-specific risks factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.3 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Subsequent to initial recognition, investment properties are accounted for using the fair value model.

Investment properties are revalued at each reporting period and are included in the statement of financial position at their fair values determined by the independent valuer. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within income from investment property. Rental income and operating expenses from investment property are reported in 'Income from investment property' on net basis.

3.4 Financial instruments

3.4.1 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. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired. Financial assets and financial liabilities are measured subsequently as described below.

3.4 Financial instruments (continued)

3.4.2 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.

3.4.3 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.

3.4.4 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.

3.4.5 Gains and losses on subsequent measurement

Gain and loss arises from change in fair value of investments at FVTOCI are recognised in other comprehensive income and reported within the cumulative change in fair value of securities 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 and directly taken to retained earnings.

3.4.6 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.

3.4.7 Financial assets at amortised cost

Investments in financial instruments which comprise of short and long term deposits, financial investments, and most other receivables are measured at amortised cost using the effective interest method. These instruments comprise of short and long term deposits placed with various banks. Discounting is omitted where the effect of discounting is immaterial.

Notes to the condensed financial statements for the period ended 31 March 2014 (continued)

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

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

In preparing these condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2013.

5. Property and equipment

All property and equipment are located in U.A.E.

6. Investment properties

Investment properties represent the fair value of two commercial buildings located in U.A.E.

In the opinion of the management, there has been no change in the fair value of investment properties since 31 December 2013.

7. Financial investments

7.1 Financial assets – deposits at amortized cost

	31 March 2014 AED (Unaudited)	31 December 2013 AED (Audited)
Short term deposits with banks in U.A.E.	**671,132,006**	670,503,125
Accrued interest	**8,749,657**	10,571,240
	679,881,663	681,074,365
Long term deposits with banks in U.A.E.	**33,004,999**	33,005,000
Accrued interest	**1,458,573**	1,046,007
	34,463,572	34,051,007
	714,345,235	715,125,372

Deposits comprise of fixed deposits with various banks bearing annual interest rates ranging from 1.20% to 4.25% (31 December 2013 from 1.20% to 4.25%) the maturity of these deposits falls within one year.

Notes to the condensed financial statements for the period ended 31 March 2014 (continued)

7. **Financial investments** (continued)

7.2 At fair value through other comprehensive income (FVTOCI):

	31 March 2014 AED (Unaudited)	31 December 2013 AED (Audited)
Quoted equity securities in U.A.E.	**29,327,346**	22,016,828
Quoted funds outside U.A.E.	**11,111,770**	10,196,714
Unquoted equity securities in U.A.E.	**42,350**	42,350
	40,481,466	32,255,892

8. **Statutory deposit**

Statutory deposit represents fixed deposits with a bank under lien against the guarantees issued in favour of Insurance Authority of U.A.E. in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its operations.

9. **Insurance contract liabilities and re-insurance contract assets**

	31 March 2014 AED (Unaudited)	31 December 2013 AED (Audited)
Gross		
Insurance contract liabilities:		
Claims reported unsettled	**26,440,690**	16,118,960
Claims incurred but not reported	**2,545,792**	2,934,749
Unearned premiums	**97,569,644**	55,054,191
Deferred acquisition cost	**1,917,702**	2,426,854
Total insurance contract liabilities - gross	**128,473,828**	76,534,754
Recoverable from re-insurers		
Claims reported unsettled	**17,847,399**	7,066,552
Unearned premiums	**86,046,284**	44,135,411
Total re-insurers' share of insurance contract liabilities	**103,893,683**	51,201,963

Notes to the condensed financial statements
for the period ended 31 March 2014 (continued)

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

	31 March 2014 AED (Unaudited)	31 December 2013 AED (Audited)
Net		
Claims reported unsettled	**8,593,291**	9,052,408
Claims incurred but not reported	**2,545,792**	2,934,749
Unearned premiums	**11,523,360**	10,918,780
Deferred acquisition cost	**1,917,702**	2,426,854
	24,580,145	25,332,791

10. Cash and cash equivalents

	31 March 2014 AED (Unaudited)	31 December 2013 AED (Audited)
Cash on hand	**70,417**	886,490
Current accounts with banks	**25,819,377**	25,784,627
	25,889,794	26,671,117

Bank balances are maintained with banks in U.A.E.

11. Share capital

	31 March 2014 AED (Unaudited)	31 December 2013 AED (Audited)
Issued and fully paid:		
1,000,000 ordinary shares of AED 100 each (2013: 1,000,000 ordinary shares of AED 100 each)	**100,000,000**	100,000,000

Notes to the condensed financial statements for the period ended 31 March 2014 (continued)

12. Statutory reserve

In accordance with the Company's articles of association and U.A.E. Federal Commercial Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of minimum of 10% of the Company's annual profit. As per the Company's Articles of Association, such transfers are required until the balance of the statutory reserve is equal to 100% of the Company's share capital.

13. Regular reserve

In accordance with the Company's Articles of Association, at least 10% of the Company's annual profit must be transferred to a regular reserve. Such transfers are required until the balance on this reserve equal to 100% of the Company's share capital, or until the transfer is suspended by resolution of the shareholders.

14. General reserve

The Board of Director approved the transfer of AED 5,000,000 in 2014 (2013: AED 20,000,000) to general reserve which can be utilised for any purpose approved by the shareholders as per the Articles of Association of the Company.

15. Basic earnings per share

	Three month period ended 31 March	
	2014	2013
	(Unaudited)	(Unaudited)
Profit for the period (in AED)	**13,616,370**	13,565,096
Number of shares	**1,000,000**	1,000,000
Basic earnings per share (in AED)	**13.62**	13.57

16. Dividend

At the Annual General Meeting held on 27 March 2014, the Shareholders approved a cash dividend of 25% which is AED 25 per share amounting to AED 25,000,000 for 2013 (2012: 15% which is AED 15 per share amounting to AED 15,000,000).

Notes to the condensed financial statements
for the period ended 31 March 2014 (continued)

17. Related party transactions

Transactions:

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

	Three month period ended 31 March	
	2014	2013
	AED	AED
	(unaudited)	(unaudited)
Premium	**2,209,879**	2,015,715
Directors' and key management personnel remuneration including benefits	**278,879**	265,698
Claims paid	**137,330**	491,378

Transactions with related parties are not significantly different from those that could been obtained from third parties

18. Segment information

For management purposes, the Company is organised into two business segments, general insurance and life assurance. The general insurance segment comprises motor, marine, fire, engineering, medical, group life, and general accident. The life assurance segment includes only long term life. These segments are the basis on which the Company reports its primary segment information. No transactions were conducted between the segments.

Segmental information is presented below:

Notes to the condensed financial statements
for the period ended 31 March 2014 (continued)

18. Segment information

	31 March 2014			31 March 2013		
	Life Division AED (Unaudited)	General Division AED (Unaudited)	Total AED (Unaudited)	Life Division AED (Unaudited)	General Division AED (Unaudited)	Total AED (Unaudited)
Gross premium	26,462,548	94,479,865	120,942,413	26,255,911	90,250,849	116,506,760
Net underwriting income	5,298,077	5,680,194	10,978,271	4,875,595	5,589,467	10,465,062
Interest income on deposits	4,877,831	2,585,317	7,463,148	5,022,937	2,520,881	7,543,818
Income from investment property (net)	2,284,008	1,297,994	3,582,002	2,179,732	1,268,629	3,448,361
Profit from investment activities	1,315,662	561,488	1,877,150	712,664	593,757	1,306,421
Other income	122,935	786,160	909,095	202,191	428,410	630,601
	13,898,513	10,911,153	24,809,666	12,993,119	10,401,144	23,394,263
Surplus transferred to policy holders' fund	(11,193,296)	-	(11,193,296)	(9,829,167)	-	(9,829,167)
Net surplus (life)/net income (general)	2,705,217	10,911,153	13,616,370	3,163,952	10,401,144	13,565,096
Segment assets	739,567,149	508,797,060	1,248,364,209	630,379,827	489,081,149	1,119,460,976
Segment liabilities	649,058,147	209,443,790	858,501,937	623,872,462	140,239,476	764,111,938

Notes to the condensed financial statements
for the period ended 31 March 2014 (continued)

19. Commitments and contingent liabilities

	31 March 2014 AED (Unaudited)	31 December 2013 AED (Audited)
Letters of guarantees	**11,127,583**	11,127,018

As at the end of the reporting period, there were certain legal cases pending in different courts in U.A.E against the Company having a total claim amount to AED 1.2 million (2013: AED 1.2 million). The legal counsel is confident that these legal cases will be judged in favour of the Company.

20. 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, 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.

20.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed financial statements approximate their fair values.

20.2 Fair value of financial and non-financial items carried at fair value

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

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2013.

20.2.2 Fair value of the Company's financial assets that are measured at fair value on recurring basis

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

Financial assets	31 March 2014 AED (Unaudited)	Fair value as at 31 December 2013 AED (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity securities – FVTOCI	**29,327,346**	22,016,828	Level 1	Quoted bid prices in an active market.	None.	NA
Quoted funds FVTOCI	**11,111,770**	10,196,714	Level 1	Quoted bid prices in an active market.	None.	NA

Notes to the condensed financial statements
for the period ended 31 March 2014 (continued)

20. Fair value measurements (continued)

20.2 Fair value of financial and non-financial items carried at fair value (continued)

20.2.2 Fair value of the Company's financial assets that are measured at fair value on recurring basis (continued)

Financial assets	31 March 2014 AED (Unaduited)	Fair value as at 31 December 2013 AED (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Unquoted equity securities – FVTOCI	**42,350**	42,350	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.

20.2.3 Fair value measurements recognised in the condensed statement of financial position

The following table provides an analysis of 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).

Notes to the condensed financial statements
for the period ended 31 March 2014 (continued)

20. Fair value measurements (continued)

20.2 Fair value of financial and non-financial items carried at fair value (continued)

20.2.3 Fair value measurements recognised in the condensed statement of financial position (continued)

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
31 March 2014 (Unaudited)				
Investments at FVTOCI				
Quoted equities	**29,327,346**	-	-	**29,327,346**
Quoted funds	**11,111,770**	-	-	**11,111,770**
Unquoted equities	-	-	**42,350**	**42,350**
Investment property	-	-	**179,669,600**	**179,669,600**
	40,439,116	-	**179,711,950**	**220,151,066**

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2013 (Audited)				
Investments at FVTOCI				
Quoted equities	22,016,828	-	-	22,016,828
Quoted funds	10,196,714	-	-	10,196,714
Unquoted equities	-	-	42,350	42,350
Investment property	-	-	179,669,600	179,669,600
	32,213,542	-	179,711,950	211,925,492

There were no transfers between each of level during the period. 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 condensed financial statements for the period ended 31 March 2014 (continued)

21. Seasonality of results

No income of seasonal nature was recorded in the statement of income for the three month period ended 31 March 2014 and 2013.

22. Impact of the change in accounting policy for the condensed statement of income as at 31 March 2013

At 31 December 2013, the Company changed its accounting policy for commission expenses and commission income with retrospective effect. Prior to the change in accounting policy, commission expenses and commission income were recognized in statement of income, in the period in which the insurance contract was written or reinsurance contract ceded. The change in accounting policy resulted in commission expenses and commission income being deferred over the effective life of the insurance contracts written or reinsurance contracts ceded.

The impact of the change in accounting policy for the year ended 31 March 2013 was AED 576,078. The condensed financial statements for three months period ended 31 March 2013 were issued prior to change in the accounting policy. The effect of change in accounting policy on the results of the Company for three month period ended 31 March 2014 was not material and the comparative information has not been restated.

23. Approval of the condensed financial statements

The condensed financial statements were approved and authorised for issue on 8 May 2014.