

**OMAN INSURANCE COMPANY P.S.C.
AND SUBSIDIARY**

**Review report and interim
financial information for the
period ended 30 June 2011**

OMAN INSUARANCE COMPANY P.S.C. AND SUBSIDIARY

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Oman Insurance Company P.S.C. (the "Company") and subsidiary (together referred to as the "Group") as at 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting." Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche



Samir Madbak
Registration No. 386
24 July 2011

Condensed consolidated statement of financial position
At 30 June 2011

	Notes	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
ASSETS			
Property and equipment	4	204,985	277,459
Investment properties	5	236,098	169,320
Advances for investment properties	6	140,868	171,930
Financial investments	7	1,460,993	1,455,524
Statutory deposits	8	23,538	23,538
Re-insurance contract assets	9	1,014,369	1,011,512
Insurance receivables		968,070	884,724
Prepayments and other receivables		90,600	75,049
Bank balances and cash	10	834,103	751,227
Total assets		4,973,624	4,820,283
EQUITY AND LIABILITIES			
Equity			
Share capital	11	419,884	419,884
Statutory reserve	12	185,532	185,532
Strategic reserve	13	303,750	303,750
General reserve	14	698,170	698,170
Contingency reserve	15	2,196	2,196
Cumulative changes in fair value of securities		(506,489)	(470,577)
Retained earnings		436,069	308,886
Total equity		1,539,112	1,447,841
Liabilities			
End of service benefits		41,909	40,702
Bank borrowings	16	543,950	679,226
Insurance contract liabilities	9	2,013,729	1,908,100
Re-insurance deposits retained		136,049	140,097
Insurance payables		582,297	477,585
Trade and other payables		116,578	126,732
Total liabilities		3,434,512	3,372,442
Total equity and liabilities		4,973,624	4,820,283
 Abdul Aziz Abdulla Al Ghurair Chairman		 Abdul Muttalib Mustafa Chief Executive Officer	

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

**Condensed consolidated income statement (unaudited)
for the period ended 30 June 2011**

	Notes	Six month period ended 30 June 2011 AED '000	2010 AED '000	Three month period ended 30 June 2011 AED '000	2010 AED '000
Gross insurance premium revenue		1,460,008	1,432,244	583,878	603,832
Less: Insurance premium ceded to reinsurers		(770,081)	(730,075)	(243,713)	(281,846)
Net retained premium revenue		689,927	702,169	340,165	321,986
Net change in unearned premium		(8,092)	(24,825)	17,657	(15,830)
Net insurance premium revenue		681,835	677,344	357,822	306,156
Gross claims settled		(565,992)	(744,115)	(319,978)	(382,149)
Insurance claims recovered from reinsurers		319,649	436,273	178,155	232,418
Net claims settled		(246,343)	(307,842)	(141,823)	(149,731)
Net change in outstanding claims and additional reserves		(33,564)	(3,143)	(11,924)	14,525
Net claims incurred		(279,907)	(310,985)	(153,747)	(135,206)
Excess of loss reinsurance premium		(21,583)	(26,835)	(7,652)	(8,765)
Policies surrendered and maturities paid		(16,484)	(14,652)	(10,337)	(8,481)
Reinsurance commission income		81,534	81,115	40,324	34,319
Commission expenses		(127,237)	(136,208)	(55,251)	(70,071)
General and administrative expenses relating to underwriting activities		(93,660)	(109,025)	(43,902)	(54,580)
Insurance business fees		(5,343)	(5,423)	(1,985)	(2,153)
Other income relating to underwriting activities		19,617	11,916	5,873	4,373
		(163,156)	(199,112)	(72,930)	(105,358)
Underwriting profit before movements in life assurance fund		238,772	167,247	131,145	65,592
(Increase)/decrease in life assurance fund		(61,116)	(16,543)	(35,783)	1,930
Net underwriting profit		177,656	150,704	95,362	67,522
Net investment income		57,480	29,758	14,436	3,655
Finance costs		(19,460)	(18,518)	(7,663)	(10,931)
Impairment of property and equipment	4	(70,000)	-	(70,000)	-
Other expenses - net		(14,582)	(7,529)	(9,364)	(3,857)
Net profit for the period		131,094	154,415	22,771	56,389
Basic earning per share (AED)	18	0.31	0.37	0.05	0.13

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 30 June 2011**

	Six month period ended 30 June		Three month period ended 30 June	
	2011	2010	2011	2010
	AED '000	AED '000	AED '000	AED '000
Net profit for the period	131,094	154,415	22,771	56,389
Other comprehensive (loss)/income:				
Net fair value (losses)/gains on investments designated at FVTOCI	(40,412)	(84,835)	10,437	(28,691)
Profit/(loss) on sale of investments designated at FVTOCI	589	(16)	(6)	-
Board of Directors' remuneration	-	(13,500)	-	-
Total other comprehensive (loss)/income for the period	(39,823)	(98,351)	10,431	(28,691)
Total comprehensive income for the period	91,271	56,064	33,202	27,698

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

**Condensed consolidated statement of changes in equity
for the period ended 30 June 2011**

	Share capital AED '000	Statutory reserve AED '000	Strategic reserve AED '000	General reserve AED '000	Contingency reserve AED '000	Cumulative changes in fair value of securities AED '000	Retained earnings AED '000	Total AED '000
Balance at 1 January 2010 (audited)	381,713	176,123	303,750	674,648	608	(439,236)	453,736	1,551,342
Net profit for the period	-	-	-	-	-	-	154,415	154,415
Other comprehensive loss for the period	-	-	-	-	-	(84,835)	(13,516)	(98,351)
Total comprehensive income for the period	-	-	-	-	-	(84,835)	140,899	56,064
Issue of bonus shares	38,171	-	-	-	-	-	(38,171)	-
Dividends paid	-	-	-	-	-	-	(152,685)	(152,685)
Balance at 30 June 2010 (unaudited)	419,884	176,123	303,750	674,648	608	(524,071)	403,779	1,454,721
Balance at 1 January 2011 (audited)	419,884	185,532	303,750	698,170	2,196	(470,577)	308,886	1,447,841
Net profit for the period	-	-	-	-	-	-	131,094	131,094
Other comprehensive loss for the period	-	-	-	-	-	(40,412)	589	(39,823)
Total comprehensive income for the period	-	-	-	-	-	(40,412)	131,683	91,271
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	-	-	4,500	(4,500)	-
Balance at 30 June 2011 (unaudited)	419,884	185,532	303,750	698,170	2,196	(506,489)	436,069	1,539,112

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

**Condensed consolidated statement of cash flows (unaudited)
for the period ended 30 June 2011**

	Six month period ended 30 June	
	2011	2010
	AED'000	AED'000
Cash flows from operating activities		
Net profit for the period	131,094	154,415
Adjustments for:		
Depreciation of property and equipment	6,192	5,649
Unrealised (gains)/losses on financial investments at FVTPL	(8,094)	7,618
Impairment of property and equipment	70,000	-
Provision for end of service benefits	3,522	2,974
Allowance for doubtful debts	11,500	-
Dividends income from financial investments at FVTPL and FVTOCI	(36,308)	(24,410)
Interest income from deposits and financial investments at FVTPL	(13,078)	(12,966)
Finance costs	19,460	18,518
Operating cash flows before changes in operating assets and liabilities	184,288	151,798
Increase in reinsurance contract assets	(2,857)	(57,621)
Increase in insurance and other receivables	(108,342)	(78,588)
Increase in insurance contract liabilities	105,629	108,631
Increase in insurance and other payables	93,653	39,544
Decrease in reinsurance deposits retained	(4,048)	(5,160)
Net cash generated from operations	268,323	158,604
End of service benefits paid	(2,315)	(617)
Finance costs paid	(18,555)	(22,317)
Net cash generated from operating activities	247,453	135,670
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	(2,796)	(17,246)
Proceeds from sale of financial investments at FVTOCI	10,636	5,170
Purchases of financial investments at FVTPL	(59,625)	(10,842)
Proceeds from sale of financial investments at FVTPL	14,587	17,608
Dividends income from financial investments at FVTPL and FVTOCI	36,308	24,410
Interest income from deposits and financial investments at FVTPL	11,023	11,803
Purchase of property and equipment	(3,718)	(1,382)
Advance for investment properties	(35,716)	-
(Increase)/decrease in term deposits maturing after 3 month	(3,538)	135,418
Net cash (used in)/generated from investing activities	(32,839)	164,939

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

**Condensed consolidated statement of cash flows (unaudited)
for the period ended 30 June 2011 (continued)**

	Six month period ended 30 June	
	2011	2010
	AED'000	AED'000
Cash flows from financing activities		
Dividends paid	-	(55,502)
Board of Directors' remuneration paid	-	(13,500)
Net decrease in bank borrowings	(37,689)	(106,604)
Net cash used in financing activities	(37,689)	(175,606)
Net increase in cash and cash equivalents	176,925	125,003
Cash and cash equivalents at beginning of the period	63,389	26,260
Cash and cash equivalents at end of the period (note 19)	240,314	151,263

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

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011**

1. General information

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

The Company engages in the business of issuing short term and long term insurance contracts. These insurance contracts are issued in connection with property, motor, aviation and marine risks (collectively known as general insurance) and individual life (participating and non-participating), group life, personal accident, medical and investment linked funds.

The Group also operates in Oman and Qatar through branches.

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

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 1 relating to <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters</i>	1 July 2010
IAS 24 <i>Related Party Disclosures</i> (revised in 2009)	1 January 2011
Amendments to IFRIC 14 relating to <i>Prepayments of a Minimum Funding Requirement</i>	1 January 2011
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
<i>Improvements to IFRSs</i> issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13	1 January 2011, except IFRS 3 and IAS 27 which are effective from 1 July 2010
<i>Amendments to IAS 32 Financial Instruments: Presentation, relating to Classification of Rights Issues</i>	1 February 2010

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

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

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not adopted the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> : relating to grouping items recognised in other comprehensive income	1 July 2012
Deferred Tax: Recovery of Underlying Assets – <i>Amendments to IAS 12: Income Taxes</i>	1 January 2012
IAS 19 <i>Employee Benefits</i> (revised 2011)	1 January 2013
IAS 27 <i>Separate Financial Statements</i> (revised in 2011)	1 January 2013
IAS 28 <i>Investments in Associates and Joint Ventures</i> (revised in 2011)	1 January 2013
Amendments to IFRS 1: <i>Removal of Fixed Dates for First-Time Adopter</i>	1 July 2011
Amendments to IFRS 1: <i>Severe Hyperinflation</i>	1 July 2011
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> , relating to Disclosures on Transfers of Financial Assets	1 July 2011
IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
IFRS 11 <i>Joint Arrangements</i>	1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
IFRS 13 <i>Fair Value Measurement</i>	1 January 2013

Management anticipates that these amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2012 or as and when they are applicable and adoption of these Standards and Interpretations may have no material impact on the consolidated financial statements of the Group in the period of initial application.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

3. Summary of significant accounting policies

3.1 Basis of preparation

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

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

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

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

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2010. In addition, results for the six month period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

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

3.2 Basis of consolidation

The condensed consolidated financial statements of Oman Insurance P.S.C. and Subsidiary (the "Group") incorporate the condensed financial statements of the Company and the entity controlled by the Company (its Subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses and profits and losses resulting from the intra-company transactions that are recognised in assets, are eliminated in full on consolidation.

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

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

Details of the Company's subsidiary at 30 June 2011 are as follows:

<u>Name of subsidiary</u>	<u>Ownership interest</u>	<u>Country of incorporation</u>	<u>Principal activity</u>
Equator Trading Enterprises L.L.C.	99.97%	U.A.E.	Trading in quoted securities within U.A.E.

The Company beneficially through nominee arrangements hold the remaining equity in the above.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

3. Summary of significant accounting policies (continued)

3.3 Investment properties

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

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

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

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

3.4 Property and equipment

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

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

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

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

The useful lives considered in the calculation of depreciation for the assets are as follows:

	Years
Furniture and equipments	3 - 5
Motor vehicles	5

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

3.5 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss (FVTPL) are recognised immediately in the profit or loss.

A financial asset and financial liability is offset and the net amount is reported in the condensed consolidated financial statements only when there is legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or realise the assets and settle the liabilities simultaneously.

3.6 Financial assets

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

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

3.6.1 Classification of financial assets

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

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

3.6.2 Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.2.1 Cash and cash equivalents

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

3.6.2.2 Insurance receivables, other receivables and statutory deposits

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

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

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

A financial asset is held for trading if:

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

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

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

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

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

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

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

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

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

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

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

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

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

3.6.5 Foreign exchange gains and losses

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

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

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

3.6.6 Impairment of financial assets

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

Objective evidence of impairment could include:

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

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.6 Impairment of financial assets (continued)

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

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

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

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

3.6.7 Derecognition of financial assets

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

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

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

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

4. Property and equipment

Property and equipment represent items of furniture and equipment, motor vehicles and capital work in progress. Capital work in progress includes a freehold land in United Arab Emirates with a fair value of AED 163,124 thousand. The Group decided to construct a mixed use development on the site with a significant element of the development being owner occupied following a feasibility study in October 2008. The Group is in the process of revisiting the initial feasibility plan based on prevailing real estate market conditions.

During the period ended 30 June 2011, an amount of AED 70,000 thousand has been recognised as impairment loss in respect of the above freehold land.

5. Investment properties

Investment properties represent the Group's investment in building and freehold land situated in the Emirate of Dubai, United Arab Emirates and are stated at fair value. Valuations are performed on a periodic basis, at least annually, and the fair value gains and losses are recorded within profit or loss.

During the period ended 30 June 2011, an amount of AED 66,778 thousand relating to land and buildings was transferred to investment properties from advances for investment properties.

6. Advances for investment properties

Advances paid on contracts for purchase of investment properties are carried at cost, but are subject to consideration for impairment when indicators of impairment exist. These properties are situated in the Emirate of Dubai, United Arab Emirates.

During the period ended 30 June 2011, an amount of AED 35,716 thousand was paid for the acquisition of investment properties. Further, advances paid for the acquisition of land and buildings amounting to AED 66,778 thousand were transferred to investment properties.

7. Financial investments

7.1 Composition of investments

The Group's investments at the end of reporting period are detailed below.

	30 June 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
At fair value through profit or loss (Note 7.2)	368,243	315,111
At fair value through other comprehensive income (Note 7.3)	1,092,750	1,140,413
	1,460,993	1,455,524

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

7. Financial investments (continued)

7.2 Financial investments at fair value through profit or loss

	30 June 2011 (unaudited) AED '000	Domestic 31 December 2010 (audited) AED '000	International 30 June 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000	Total 31 December 2010 (audited) AED '000
Designated upon initial recognition:					
- Structured investments unquoted	-	-	240,214	236,095	236,095
Shares - quoted	38,915	37,267	-	-	37,267
Unit linked investments	-	-	89,114	41,749	41,749
	<u>38,915</u>	<u>37,267</u>	<u>329,328</u>	<u>277,844</u>	<u>315,111</u>
	<u>38,915</u>	<u>37,267</u>	<u>329,328</u>	<u>277,844</u>	<u>315,111</u>

7.3 Financial investments at fair value through other comprehensive income

	30 June 2011 (unaudited) AED '000	Domestic 31 December 2010 (audited) AED '000	International 30 June 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000	Total 31 December 2010 (audited) AED '000
Share and mutual funds					
- Quoted	788,678	826,617	33,278	43,455	870,072
- Unquoted	168,731	165,797	102,063	104,544	270,341
	<u>957,409</u>	<u>992,414</u>	<u>135,341</u>	<u>147,999</u>	<u>1,140,413</u>
	<u>957,409</u>	<u>992,414</u>	<u>135,341</u>	<u>147,999</u>	<u>1,140,413</u>

Quoted shares with carrying value of AED 103,094 thousand at 30 June 2011 (31 December 2010: AED 106,706 thousand) were registered in the name of certain shareholders/directors of the Company and third parties who are holding those shares in trust on behalf of the Group.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

8. Statutory deposits

	30 June 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Bank deposit maintained in accordance with Article 42 of U.A.E. Federal Law No. 6 of 2007	10,000	10,000
Amount under lien with Capital Market Authority – Sultanate of Oman	13,538	13,538
	23,538	23,538

9. Insurance contract liabilities and re-insurance contract assets

	30 June 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Insurance contract liabilities		
- Outstanding claims	877,794	925,710
- Additional reserve	117,450	97,250
- Life assurance fund	187,636	126,520
- Unearned premiums	830,849	758,620
	2,013,729	1,908,100
Recoverable from re-insurers		
- Outstanding claims	584,310	645,590
- Unearned premiums	430,059	365,922
	1,014,369	1,011,512
Insurance contract liabilities – net		
- Outstanding claims	293,484	280,120
- Additional reserve	117,450	97,250
- Life assurance fund	187,636	126,520
- Unearned premiums	400,790	392,698
	999,360	896,588

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

10. Bank balances and cash

	30 June 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Deposits with banks with maturity over 3 month	593,789	590,251
Deposits with banks maturing within 3 month	97,723	90,241
Current accounts	142,502	70,621
Cash on hand	89	114
	834,103	751,227
Bank balances and cash:		
In U.A.E.	686,261	638,504
In other G.C.C. countries	147,842	112,723
	834,103	751,227

The interest rate on fixed deposits and call accounts with banks ranges between 1% and 3% (31 December 2010: 2.5% and 3.5%) per annum.

Certain deposits with carrying value of AED 214,749 thousand (31 December 2010: AED 259,535 thousand) at 30 June 2011 are subject to lien in respect of guarantees and overdraft facilities.

11. Share capital

	30 June 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Authorised, issued and fully paid 419,883,750 shares of AED 1 each	419,884	419,884

12. Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of net profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. No transfers have been made during the six month period ended 30 June 2011, as this will be based on the results for the year. The reserve is not available for distribution except in the circumstances stipulated by the law.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

13. Strategic reserve

The strategic reserve may be utilised for any purpose to be determined by a resolution of the Shareholders of the Company at an ordinary general meeting, on the recommendation of the Board of Directors. No transfers have been made to the strategic reserve during the six month period ended 30 June 2011.

14. General reserve

Annual transfers to the general reserve are made at the rate of 25% of the net profit less the Directors' fees for the year. The reserve is freely available for distribution. No transfers have been made to the general reserve during the six month period ended 30 June 2011, as this will be based on the results of the year.

15. Contingency reserve

In accordance with Article 20 (2) (c) amended by Royal Decree No. 35/95 of the Oman Insurance Companies Law 1979 and in accordance with the Capital Market Authority's letter, CMA 4952/2005 dated 22 November 2005, 10% of the net outstanding claims of the Oman branch at the end of the reporting period is transferred from retained earnings to a contingency reserve. In case of insufficient retained earnings or accumulated loss position, the transfer is adjusted against the head office current account balance. The reserve is not available for distribution. No transfers have been made to the contingency reserve during the six month period ended 30 June 2011, as this will be based on the results of the year.

16. Bank borrowings

	30 June 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Long term loans	537,700	237,700
Short term loans	6,250	343,939
Bank overdraft	-	97,587
	543,950	679,226

Long term loans include an amount of AED 82,620 thousand (31 December 2010: AED 82,620 thousand) which carries interest at 1 month LIBOR + 2.75% and is repayable in bullet payment in September 2012 and an amount of AED Nil (31 December 2010: AED 100,000 thousand which carried interest at Deposit rate + 1.00% and repayable in bullet payment in March 2013) and an amount of AED 400,000 thousand (31 December 2010: AED Nil) which carries interest at 3 month EIBOR+3% and is repayable in quarterly instalment of AED 25,000 thousand over the period of four years commencing from August 2011. Long term loans also include AED 55,080 thousand (31 December 2010: AED 55,080 thousand) which carries interest at 3 month USD LIBOR +2.00% and is repayable at the discretion of the Company and is available till the date of the disposal of colateralised investments managed by the lender. Management expects to repay this loan in three years time.

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

16. Bank borrowings (continued)

Short term loans are unsecured and are repayable within six month to one year period of drawn down date. The loans are normally rolled over for additional similar periods.

Short term loans include an amount of AED Nil (31 December 2010: AED 100,000 thousand which carried interest at 1 month EIBOR + 2% and repayable in a bullet payment in April 2011) and an amount of AED Nil (31 December 2010: AED 50,000 thousand which carried interest at 3 month EIBOR + 2.50% and repayable in a bullet payment in April 2011 or renewable on six month basis) and an amount AED 6,250 thousand (31 December 2010: AED 43,750 thousand which carried interest at Deposit rate + 1.00% and is repayable in equal installments from January 2011 to July 2011) and an amount of AED Nil (31 December 2010: AED 150,000 thousand which carried interest at Bank rate + 1.00%).

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

17. Related party transactions

Related parties include the Group's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

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

	30 June 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Cash and bank balances	284,010	210,902
Statutory deposits	12,527	12,527
Net insurance receivable	54,271	28,233
Net insurance payable	2,468	1,721
Bank overdraft	-	95,734
Short term loans	-	150,000
Long term loans	400,000	-

- b) During the period, the Group entered into the following transactions with related parties:

	Six month period ended 30 June		Three month period ended 30 June	
	2011 (unaudited) AED '000	2010 (unaudited) AED '000	2011 (unaudited) AED '000	2010 (unaudited) AED '000
Premiums	97,752	108,185	38,738	43,065
Claims	30,806	64,604	16,851	11,552
Finance costs	7,397	7,113	2,434	3,447
Commission paid	6,000	1,000	6,000	-
Investment – shares purchases	847	5,115	425	-

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

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

17. Related party transactions (continued)

c) *Compensation of key management personnel*

	Six month period ended 30 June		Three month period ended 30 June	
	2011	2010	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED '000	AED '000	AED '000	AED '000
Directors fees	2,100	-	-	-
Board of Directors' remuneration	-	13,500	-	-
Salaries and benefits	1,234	6,671	666	6,257
End of service benefits	68	68	34	34
	3,402	20,239	700	6,291

18. Basic earnings per share

	Six month period ended 30 June		Three month period ended 30 June	
	2011	2010	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net profit for the period (AED '000)	131,094	154,415	22,771	56,389
Weighted average number of shares	419,883,750	419,883,750	419,883,750	419,883,750
Basic earnings per share (AED)	0.31	0.37	0.05	0.13

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

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

19. Cash and cash equivalents

	Six month period ended 30 June 2011 (unaudited) AED '000	2010 (unaudited) AED '000
Deposits with banks maturing within 3 month	97,723	284,830
Current accounts	142,502	56,935
Cash on hand	89	90
	240,314	341,855
Less: Bank overdrafts	-	(190,592)
	240,314	151,263

20. Contingent liabilities

At 30 June 2011, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 44,294 thousand (31 December 2010: AED 35,285 thousand).

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

21. Commitments

	30 June 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Capital/purchase commitments		
Commitments in respect of uncalled subscription of certain shares held as investments	44,932	47,305
Commitments in respect of purchase of investment properties	4,840	24,198
	49,772	71,503

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2011 (continued)**

21. Commitments (continued)

Operating lease commitments

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

	30 June 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Within one year	3,496	10,128
Second to fifth year	132	728

22. Segment information

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

	Six month ended 30 June (unaudited)					
	General insurance		Life assurance		Total	
	2011 AED '000	2010 AED '000	2011 AED '000	2010 AED '000	2011 AED '000	2010 AED '000
Gross insurance premium	872,134	949,155	587,874	483,089	1,460,008	1,432,244
Net underwriting profit	143,346	142,936	34,310	7,768	177,656	150,704
Net investment income					57,480	29,758
Finance costs					(19,460)	(18,518)
Impairment of property and equipment					(70,000)	-
Other expenses - net					(14,582)	(7,529)
Net profit for the period					131,094	154,415

**Notes to the condensed consolidated financial statements
for the period ended 30 June 2010 (continued)**

22. Segment information (continued)

	30 June 2011 (unaudited)			
	General insurance AED '000	Life assurance AED '000	Investment AED '000	Total AED '000
Segment assets	1,748,241	695,911	2,529,472	4,973,624
Segment liabilities	2,049,397	841,165	543,950	3,434,512
Capital expenditure	3,627	91	35,716	39,434
Depreciation	5,670	522	-	6,192
	31 December 2010 (audited)			
	General insurance AED '000	Life assurance AED '000	Investment AED '000	Total AED '000
Segment assets	1,826,789	490,291	2,503,203	4,820,283
Segment liabilities	2,222,208	568,596	581,638	3,372,442
Capital expenditure	7,294	139	38,577	46,010
Depreciation	9,822	502	-	10,324

23. Seasonality of results

Net investment income includes dividend income of AED 36,308 thousand for the six month period ended 30 June 2011 (30 June 2010: AED 24,410 thousand), which is of a seasonal nature.

24. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 July 2011.