

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

**Review report and interim
financial information for the
period ended 31 March 2012**

OMAN INSURANCE 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.
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 its Subsidiary (together referred to as the "Group") as at 31 March 2012 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 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 Standards 34, "Interim Financial Reporting".

Deloitte & Touche (M.E.)



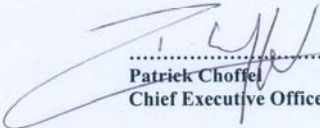
Samir Madbak
Registration No. 386
26 April 2012

Condensed consolidated statement of financial position
At 31 March 2012

	Notes	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
ASSETS			
Property and equipment		129,546	131,614
Investment properties		300,778	315,778
Financial investments		1,431,645	1,453,020
Statutory deposits		23,538	23,538
Reinsurance contract assets	4	1,023,324	972,244
Insurance receivables		1,172,673	913,888
Prepayments and other receivables		98,581	96,580
Bank balances and cash		770,728	679,958
Total assets		4,950,813	4,586,620
EQUITY AND LIABILITIES			
Equity			
Share capital	5	461,872	419,884
Statutory reserve		196,348	196,348
Strategic reserve		303,750	303,750
General reserve		725,210	725,210
Contingency reserve		3,316	3,316
Cumulative changes in fair value of securities		(517,493)	(548,765)
Retained earnings		352,179	374,157
Total equity		1,525,182	1,473,900
Liabilities			
End of service benefits		39,633	39,146
Bank borrowings	6	256,564	388,769
Insurance contract liabilities	4	2,169,236	1,945,112
Reinsurance deposits retained		130,529	141,166
Insurance payables		726,952	492,934
Other payables		102,717	105,593
Total liabilities		3,425,631	3,112,720
Total equity and liabilities		4,950,813	4,586,620



 Abdul Aziz Abdulla Al Ghurair
 Chairman



 Patriek Choffel
 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 31 March 2012**

	Three month period ended 31 March	
	2012	2011
	AED'000	AED'000
Gross insurance premium revenue	905,107	876,130
Less: Insurance premium ceded to reinsurers	(483,119)	(526,368)
Net retained revenue	421,988	349,762
Net change in unearned premium	(111,913)	(25,749)
Net insurance premium revenue	310,075	324,013
Gross claims settled	(322,416)	(246,014)
Insurance claims recovered from reinsurers	158,734	141,494
Net claims settled	(163,682)	(104,520)
Net change in outstanding claims and additional reserves	(7,658)	(21,640)
Net claims incurred	(171,340)	(126,160)
Excess of loss reinsurance premium	(9,326)	(13,931)
Policies surrendered and maturities paid	(6,029)	(6,147)
Reinsurance commission income	69,992	41,210
Commission expenses	(51,925)	(71,986)
Insurance business fees	(3,514)	(3,358)
General and administrative expenses relating to underwriting activities	(51,164)	(49,758)
Other income relating to underwriting Activities	9,315	13,744
	(42,651)	(90,226)
Underwriting profit before movements in life assurance fund	96,084	107,627
Increase in life assurance fund	(23,142)	(25,333)
Net underwriting profit	72,942	82,294
Net investment income	22,636	43,044
Finance costs	(5,731)	(11,797)
Other expenses – net	(10,147)	(5,218)
Profit for the period	79,700	108,323
Basic earnings per share (Note 7)	AED 0.17	AED 0.23

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the period ended 31 March 2012**

	Three month period ended 31 March	
	2012	2011
	AED'000	AED'000
Profit for the period	79,700	108,323
Other comprehensive loss		
Net fair value losses on investments designated at FVTOCI	(29,840)	(50,849)
Gain on sale of investments designated at FVTOCI	1,422	595
Total other comprehensive loss for the period	(28,418)	(50,254)
Total comprehensive income for the period	51,282	58,069

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

**Condensed consolidated statement of changes in equity
for the period ended 31 March 2012**

	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 2011 (audited)	419,884	185,532	303,750	698,170	2,196	(470,577)	308,886	1,447,841
Profit for the period	-	-	-	-	-	-	108,323	108,323
Other comprehensive loss for the period	-	-	-	-	-	(50,849)	595	(50,254)
Total comprehensive income for the period	-	-	-	-	-	(50,849)	108,918	58,069
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	-	-	4,499	(4,499)	-
Balance at 31 March 2011 (unaudited)	419,884	185,532	303,750	698,170	2,196	(516,927)	413,305	1,505,910
Balance at 1 January 2012 (audited)	419,884	196,348	303,750	725,210	3,316	(548,765)	374,157	1,473,900
Profit for the period	-	-	-	-	-	-	79,700	79,700
Other comprehensive loss for the period	-	-	-	-	-	(29,840)	1,422	(28,418)
Total comprehensive income for the period	-	-	-	-	-	(29,840)	81,122	51,282
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	-	-	61,112	(61,112)	-
Issue of bonus shares	41,988	-	-	-	-	-	(41,988)	-
Balance at 31 March 2012 (unaudited)	461,872	196,348	303,750	725,210	3,316	(517,493)	352,179	1,525,182

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

**Condensed consolidated statement of cash flows (unaudited)
for the period ended 31 March 2012**

	Three month period ended 31 March	
	2012	2011
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period	79,700	108,323
Adjustments for:		
Depreciation of property and equipment	2,784	3,597
Unrealised gains on financial investments at FVTPL	(24,952)	(6,365)
Fair value adjustments on investment properties	15,000	-
Provision for end of service benefits	2,685	2,295
Dividends income from financial investments at FVTPL and FVTOCI	(18,233)	(29,998)
Interest income from deposits and financial investments at FVTPL	(7,108)	(6,682)
Realised gain on sale of financial investments at FVTPL	(3,371)	-
Finance costs	5,731	11,797
Operating cash flows before changes in operating assets and liabilities	52,236	82,967
Increase in reinsurance contract assets	(51,080)	(62,406)
Increase in insurance and other receivables	(243,723)	(226,397)
Increase in insurance contract liabilities	224,124	135,128
Increase in insurance and other payables	232,348	286,889
Decrease in reinsurance deposits retained	(10,637)	(7,302)
Net cash generated from operations	203,268	208,879
End of service benefits paid	(2,198)	(123)
Finance costs paid	(6,937)	(12,215)
Net cash generated from operating activities	194,133	196,541

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

**Condensed consolidated statement of cash flows (unaudited)
for the period ended 31 March 2012 (continued)**

	Three month period ended 31 March	
	2012	2011
	AED'000	AED'000
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	(4,755)	(1,530)
Proceeds from sale of financial investments at FVTOCI	33,606	10,085
Purchases of financial investments at FVTPL	(105,281)	(13,574)
Proceeds from sale of financial investments at FVTPL	97,710	2,326
Dividends income from financial investments at FVTPL and FVTOCI	3,423	29,998
Interest income from deposits and financial investments at FVTPL	4,855	1,984
Purchase of property and equipment	(716)	(1,660)
Advance for investment properties	-	(35,715)
Decrease in term deposits maturing after 3 months	139,260	132,367
Net cash generated from investing activities	168,102	124,281
Cash flows from financing activities		
Decrease in bank borrowings	(125,000)	(18,939)
Cash used in financing activities	(125,000)	(18,939)
Net increase in cash and cash equivalents	237,235	301,883
Cash and cash equivalents at the beginning of the period	47,130	63,389
Cash and cash equivalents at the end of the period (note 8)	284,365	365,272

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

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012**

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, on Establishment of Insurance Authority and Organization of Its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E. under registration number 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. Standards and Interpretations in issue but not yet effective and not early adopted

The Group 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**

- | | |
|---|-----------------------|
| <ul style="list-style-type: none"> • IFRS 10 <i>Consolidated Financial Statements</i>* uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly, IAS 27 <i>Separate Financial Statements</i>* and IAS 28 <i>Investments in Associates and Joint Ventures</i>* have been amended for the issuance of IFRS 10. | <p>1 January 2013</p> |
| <ul style="list-style-type: none"> • IFRS 11 <i>Joint Arrangements</i>* establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly, IAS 28 <i>Investments in Associates and Joint Ventures</i> has been amended for the issuance of IFRS 11. | <p>1 January 2013</p> |

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

**2. Standards and Interpretations in issue but not yet effective and not early adopted
(continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 12 <i>Disclosure of Interests in Other Entities</i>* combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure Standard.	1 January 2013
IFRS 13 Fair Value Measurement issued in May 2011, establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.	1 January 2013
Amendments to IAS 1 – Presentation of Other Comprehensive Income. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	1 July 2012
Amendments to IAS 12 <i>Income Taxes</i> provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 <i>Investment Property</i> by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale.	1 January 2012
Amendments to IAS 19 <i>Employee Benefits</i> eliminate the “corridor approach” and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.	1 January 2013
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>.	1 January 2013
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> enhancing disclosures about offsetting of financial assets and financial liabilities.	1 January 2013
Amendments to IAS 32 <i>Financial Instruments: Presentation</i> relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2013

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

2. Standards and Interpretations in issue but not yet effective and not early adopted (continued)

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2013 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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 2011. In addition, results for the three month period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

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

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

3. Summary of significant accounting policies (continued)

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 31 March 2012 are as follows:

Name of subsidiary	Ownership interest	Country of incorporation	Principal activity
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 holds the remaining equity in the above.

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 off 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.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

3. Summary of significant accounting policies (continued)

3.3 Investment properties (continued)

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

3.5 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.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

3.5.1 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.

3.5.2 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.

3.5.2.1 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.

3.5.2.2 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.

3.5.3 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.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

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

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.

3.5.4 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.

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.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

3.5.5 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.

3.5.6 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.

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.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

3.5.6 Impairment of financial assets (continued)

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.

3.5.7 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 31 March 2012 (continued)**

4. Insurance contract liabilities and re-insurance contract assets

	31 March 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Insurance liabilities		
- Outstanding claims	961,505	961,511
- Additional reserve	117,805	125,805
- Life assurance fund	124,619	101,477
- Unearned premiums	842,548	663,891
- Unit linked liabilities	122,759	92,428
	<u>2,169,236</u>	<u>1,945,112</u>
Recoverable from re-insurers		
- Outstanding claims	641,922	657,586
- Unearned premiums	381,402	314,658
	<u>1,023,324</u>	<u>972,244</u>
Insurance liabilities – net		
- Outstanding claims	319,583	303,925
- Additional reserve	117,805	125,805
- Life assurance fund	124,619	101,477
- Unearned premiums	461,146	349,233
- Unit linked liabilities	122,759	92,428
	<u>1,145,912</u>	<u>972,868</u>

5. Share capital

	31 March 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Authorized, issued and fully paid 461,872,125 shares of AED 1 each (31 December 2011: 419,883,750 shares of AED 1 each)	<u>461,872</u>	<u>419,884</u>

At the Annual General Meeting held on 22 March 2012, the shareholders approved scrip dividends of 10%. The share capital is increased by AED 41,988 thousand as a result of the above.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

6. Bank borrowings

	31 March 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Long term loans	253,520	378,520
Bank overdraft	3,044	10,249
	256,564	388,769

Long term loans include an amount of AED 45,900 thousand (31 December 2011: AED 45,900 thousand) which carries interest at 1 month LIBOR + 2.75% and is repayable in bullet payment in September 2012 and an amount of AED 27,540 thousand (31 December 2011: AED 27,540 thousand) which carries interest at 3 month LIBOR + 3.00% and is repayable in bullet payment in September 2013 and an amount of AED 125,000 thousand (31 December 2011: AED 250,000 thousand) which carries interest at 3 month EIBOR + 3.5% and is repayable in installment of AED 25,000 thousand on each quarter. Long term loans also include AED 55,080 thousand (31 December 2011: 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 colaterised investments managed by the lender. Management expects to repay this loan in three years time.

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

7. Basic earnings per share

	Three month period ended 31 March 2012 (unaudited)	2011 (unaudited)
Profit for the period (AED '000)	79,700	108,323
Weighted average number of shares	461,872,125	461,872,125
Basic earnings per share (AED)	0.17	0.23

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.

The weighted average number of shares as at 31 March 2011 has been adjusted to reflect the bonus shares issued during the period ended 31 March 2012.

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

8. Cash and cash equivalents

	Three month period ended 31 March	
	2012	2011
	(unaudited)	(unaudited)
	AED '000	AED '000
Deposits with banks maturing within 3 months	35,716	224,619
Current accounts	251,532	140,539
Cash on hand	161	114
	287,409	365,272
Less: Bank overdrafts	(3,044)	-
	284,365	365,272

9. 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.

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

	31 March 2012	31 December 2011
	(unaudited)	(audited)
	AED '000	AED '000
Cash and bank balances	499,911	325,233
Statutory deposits	10,000	10,000
Net insurance receivables	33,834	32,758
Net insurance payable	2,079	2,110
Bank overdraft	-	10,249
Long term loans	125,000	250,000

- 9.2 Quoted shares designated as FVTOCI investments with carrying value of AED 99,812 thousand at 31 March 2012 (31 December 2011: AED 106,373 thousand) were registered in the names of certain shareholders/directors of the Group and third parties who are holding those shares in trust on behalf of the Group.

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

	Three month period ended 31 March	
	2012	2011
	(unaudited)	(unaudited)
	AED '000	AED '000
Premiums	63,840	59,014
Claims	21,741	13,955
Finance costs	2,788	4,963

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

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

9. Related party transactions (continued)

9.4 Compensation of key management personnel

	Three month period ended 31 March	
	2012	2011
	(unaudited)	(unaudited)
	AED '000	AED '000
Directors' fees	2,250	2,100
Salaries and benefits	450	568
End of service benefits	-	34
Total compensation paid to the key management Personnel	<u>2,700</u>	<u>2,702</u>

10. Contingent liabilities

At 31 March 2012, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 36,281 thousand (31 December 2011: AED 33,970 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.

11. Commitments

	31 March 2012	31 December 2011
	(unaudited)	(audited)
	AED '000	AED '000
Capital/purchase commitments		
Commitments in respect of uncalled subscription of certain shares held as investments	32,687	34,892
Commitments in respect of purchase of investment properties	4,840	4,840
	<u>37,527</u>	<u>39,732</u>

Operating lease commitments

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

	31 March 2012	31 December 2011
	(unaudited)	(audited)
	AED '000	AED '000
Within one year	12,562	10,470
Second to fifth year	5,416	7,143

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

12. Locations of assets

As required by Securities and Commodities Authority notification dated 12 October 2008, the locations of assets are disclosed below:

	31 March 2012 (unaudited)			31 December 2011 (audited)		
	In U.A.E. AED '000	In other countries AED '000	Total AED '000	In U.A.E. AED '000	In other countries AED '000	Total AED '000
Property and equipment	128,439	1,107	129,546	130,344	1,270	131,614
Investment properties	300,778	-	300,778	315,778	-	315,778
Financial investments designated at fair value through comprehensive income (FVTOCI)	883,630	120,009	1,003,639	935,602	125,306	1,060,908
Financial investments at FVTPL	9,884	418,122	428,006	45,287	346,825	392,112
Bank balances and cash	645,205	125,523	770,728	571,008	108,950	679,958
	<u>1,967,936</u>	<u>664,761</u>	<u>2,632,697</u>	<u>1,998,019</u>	<u>582,351</u>	<u>2,580,370</u>

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

13. Segment information

For management purposes, the Group is organised into three business segments, 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:

	Three month ended 31 March (unaudited)					
	General insurance		Life assurance		Total	
	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000
Gross insurance premium revenue	423,325	502,061	481,782	374,069	905,107	876,130
Net underwriting profit	42,533	71,543	30,409	10,751	72,942	82,294
Net investment income					22,636	43,044
Finance costs					(5,731)	(11,797)
Other expenses – net					(10,147)	(5,218)
Net profit for the period					79,700	108,323

	31 March 2012 (unaudited)			
	General insurance AED '000	Life assurance AED '000	Investment AED '000	Total AED '000
Segment assets	1,668,174	1,031,181	2,251,458	4,950,813
Segment liabilities	1,972,935	1,199,176	253,520	3,425,631
Capital expenditure	709	7	-	716
Depreciation	2,701	83	-	2,784

**Notes to the condensed consolidated financial statements
for the period ended 31 March 2012 (continued)**

13. Segment information (continued)

	31 December 2011 (audited)			
	General insurance AED '000	Life assurance AED '000	Investment AED '000	Total AED '000
Segment assets	1,553,120	642,123	2,391,377	4,586,620
Segment liabilities	2,008,680	725,520	378,520	3,112,720
Capital expenditure	4,629	1,958	35,715	42,302
Depreciation	10,026	331	-	10,357

14. Seasonality of results

Other investment income includes dividends income of AED 18,233 thousand for the three month period ended 31 March 2012 (31 March 2011: AED 29,998 thousand), which is of a seasonal nature.

15. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 April 2012.