

**ARABIAN SCANDINAVIAN INSURANCE
COMPANY P.L.C.**

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

ARABIAN SCANDINAVIAN INSURANCE COMPANY P.L.C.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Arabian Scandinavian Insurance Company P.L.C.
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed statement of financial position of Arabian Scandinavian Insurance Company P.L.C., Dubai, United Arab Emirates, as at 31 March 2012 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
3 May 2012

**Condensed statement of financial position
at 31 March 2012**

	Notes	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
ASSETS			
Non-current assets			
Property and equipment	4	315,333	352,086
Investment properties	5	198,378,728	198,349,443
Financial investments designated at fair value through other comprehensive income (FVTOCI)	6	13,408,833	16,045,327
Statutory deposits	7	10,000,000	10,000,000
Total non-current assets		222,102,894	224,746,856
Current assets			
Re-insurance contract assets	8	13,107,954	12,434,232
Insurance and other receivables		27,546,790	19,431,036
Due from related parties		3,644,551	2,159,474
Financial investments at FVTPL	6	13,838,289	33,253,931
Bank balances and cash	9	77,209,748	48,738,746
Total current assets		135,347,332	116,017,419
Total assets		357,450,226	340,764,275
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	140,000,000	140,000,000
Statutory reserve		45,172,928	45,172,928
General reserve		37,282,728	37,282,728
Cumulative change in fair value		(2,135,221)	(3,978,978)
Retained earnings		48,980,229	52,392,148
Total equity		269,300,664	270,868,826
Non-current liabilities			
Provision for employees' end of service indemnity		1,532,817	1,585,943
Current liabilities			
Insurance contract liabilities	8	41,074,457	38,076,267
Insurance and other payables		45,482,414	30,220,586
Due to related parties		59,874	12,653
Total current liabilities		86,616,745	68,309,506
Total liabilities		88,149,562	69,895,449
Total equity and liabilities		357,450,226	340,764,275

Ahmad M. A. Al Kazim
Managing Director

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

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

		Three month period ended 31 March	
	Notes	2012 AED	2011 AED
Insurance premium revenue	11	20,807,249	17,684,076
Insurance premium ceded to re-insurers	11	(10,073,254)	(8,866,772)
Net insurance premium revenue	11	10,733,995	8,817,304
Gross claims incurred		(7,246,283)	(7,146,872)
Insurance claims recovered from re-insurers		1,925,649	2,971,852
Net claims incurred		(5,320,634)	(4,175,020)
Gross commission earned		4,371,899	3,220,905
Less: commission incurred		(2,108,000)	(1,492,967)
Net commission earned		2,263,899	1,727,938
Underwriting profit		7,677,260	6,370,222
General and administrative expenses relating to underwriting activities		(3,184,608)	(3,580,514)
Net underwriting profit		4,492,652	2,789,708
Investment income		7,564,353	2,522,897
Other income		1,853	21,545
Profit for the period		12,058,858	5,334,150
Basic earnings per share	12	0.09	0.04

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

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

	Three month period ended 31 March	
	2012	2011
	AED	AED
Profit for the period	12,058,858	5,334,150
Other comprehensive income/(loss)		
Net fair value gain/(loss) on investments designated at FVTOCI	962,180	(941,077)
Gain/(loss) on sale of investments designated at FVTOCI	310,800	(135,134)
Board of Directors' remuneration paid	(900,000)	-
Other comprehensive income/(loss) for the period.	372,980	(1,076,211)
Total comprehensive income for the period	12,431,838	4,257,939

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

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

	Share capital AED	Statutory reserve AED	General reserve AED	Cumulative change in fair value AED	Retained earnings AED	Total AED
Balance at 1 January 2011 (Audited)	140,000,000	43,124,006	35,233,806	(7,473,571)	42,565,642	253,449,883
Profit for the period	-	-	-	-	5,334,150	5,334,150
Other comprehensive loss for the period	-	-	-	(941,077)	(135,134)	(1,076,211)
Total comprehensive income for the period	-	-	-	(941,077)	5,199,016	4,257,939
Transfer to retained earnings on sale of FVTOCI	-	-	-	2,590,037	(2,590,037)	-
Balance at 31 March 2011 (Unaudited)	140,000,000	43,124,006	35,233,806	(5,824,611)	45,174,621	257,707,822
Balance at 1 January 2012 (Audited)	140,000,000	45,172,928	37,282,728	(3,978,978)	52,392,148	270,868,826
Profit for the period	-	-	-	-	12,058,858	12,058,858
Other comprehensive income for the period	-	-	-	962,180	(589,200)	372,980
Total comprehensive income for the period	-	-	-	962,180	11,469,658	12,431,838
Dividend (Note 14)					(14,000,000)	(14,000,000)
Transfer to retained earnings on sale of FVTOCI	-	-	-	881,577	(881,577)	-
Balance at 31 March 2012 (Unaudited)	140,000,000	45,172,928	37,282,728	(2,135,221)	48,980,229	269,300,664

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

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

	Three month period ended 31 March	
	2012	2011
	AED	AED
Cash flows from operating activities		
Profit for the period	12,058,858	5,334,150
Adjustments for:		
Depreciation of property and equipment	36,913	37,247
Provision for employees' end of service benefits	42,125	40,632
Gain on investments at FVTPL	(3,147,890)	1,018,283
Other investment income	(4,416,463)	(3,541,180)
Operating cash flows before changes in operating assets and liabilities	4,573,543	2,889,132
Increase in reinsurance contract assets	(673,722)	(15,906)
Increase in insurance and other receivables	(6,890,668)	(10,737,180)
Increase in due from related parties	(1,485,077)	(1,361,953)
Increase in insurance contract liabilities	2,998,190	129,038
Increase/(decrease) in insurance and other payables	1,261,828	(47,988)
Increase/(decrease) in due to related parties	47,221	(4,777)
Cash used in operations	(168,685)	(9,149,634)
Employees' end of service benefits paid	(95,251)	-
Net cash used in operating activities	(263,936)	(9,149,634)
Cash flows from investing activities		
Purchase of investment property	(29,285)	(160,453)
Purchase of property and equipment	(160)	(11,250)
Increase in fixed deposits with banks under lien	(76,511)	(77,965)
Increase in fixed deposits with maturity over 3 months	-	(16,000,000)
Purchase of investments in securities	(13,832,855)	(16,966,428)
Proceeds from sale of investments in securities	40,305,861	38,476,555
Income from investment property	3,184,503	3,326,250
Interest on fixed deposits	6,874	214,930
Net cash generated from investing activities	29,558,427	8,801,639
Cash flows from financing activities		
Board of directors' remuneration paid	(900,000)	-
Cash used in financing activities	(900,000)	-
Net increase/(decrease) in cash and cash equivalents	28,394,491	(347,995)
Cash and cash equivalents at the beginning of the period	7,664,713	7,136,603
Cash and cash equivalents at the end of the period (Note 13)	36,059,204	6,788,608
	=====	=====

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

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

1. General information

Arabian Scandinavian Insurance Company P.L.C. - Dubai (the "Company") is a public shareholding company, registered in the United Arab Emirates in 1992. 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 operation and is registered in the Insurance Companies register of Insurance Authority of U.A.E. under registration number 6. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

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

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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.	1 January 2013
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.	1 January 2013
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 <i>Fair Value Measurement</i> 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

**Notes to the condensed 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>
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

*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 Company’s 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 financial statements of the Company in the period of initial application.

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

3. Summary of significant accounting policies

3.1 Basis of preparation

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

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

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

The accounting policies, presentation and methods in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2011.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements as at and for the year ended 31 December 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 in respect of investment properties, investment in securities and property and equipment disclosed in the annual audited financial statements are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

3.2 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is stated at its fair value at the end of each reporting period. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss.

3.3 Investment in securities

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

Investments of the Company are classified as either as financial assets at fair value through profit or loss (FVTPL) or as “financial assets at fair value through other comprehensive income (FVTOCI)”.

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

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

**Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)****3. Summary of significant accounting policies (continued)****3.3 Investment in securities (continued)***3.3.1 Financial assets at fair value through profit or loss (FVTPL) (continued)*

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 Company's right to receive the dividends is established in accordance with IAS 18 Revenue.

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

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

A financial asset is held for trading if:

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

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

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

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

3.4 Property and equipment

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

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

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

3. Summary of significant accounting policies (continued)

3.4 Property and equipment (continued)

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

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

4. Property and equipment

All the properties and equipment are located in U.A.E.

5. Investment properties

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

Investment property amounting to AED 13,786,517 (31 December 2011: AED 13,786,517) is registered in the name of related parties in trust and for the benefit of the Company.

6. Financial investments

All financial investments are held in U.A.E.

7. Statutory deposits

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

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

8. Insurance contract liabilities and re-insurance contract assets

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Gross		
Insurance contract liabilities:		
Claims reported unsettled	11,542,231	10,641,528
Claims incurred but not reported	3,600,000	3,600,000
Unearned premiums	25,932,226	23,834,739
Total insurance contract liabilities, gross	41,074,457	38,076,267
Recoverable from re-insurers		
Claims reported unsettled	3,658,887	3,913,994
Unearned premiums	9,449,067	8,520,238
Total re-insurers' share of insurance liabilities	13,107,954	12,434,232
Net		
Claims reported unsettled	7,883,344	6,727,534
Claims incurred but not reported	3,600,000	3,600,000
Unearned premiums	16,483,159	15,314,501
	27,966,503	25,642,035

9. Bank balances and cash

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Cash on hand	27,129	5,508
Bank balances:		
Current accounts	35,808,769	7,435,899
Call accounts	223,306	223,306
Fixed deposits	41,150,544	41,074,033
	77,209,748	48,738,746

Fixed deposits amounting to AED 4,150,544 (31 December 2011: AED 4,074,033) are under lien against the credit facility granted to the Company.

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

9. Bank balances and cash (continued)

Bank balances and cash represents

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Within U.A.E.	77,038,251	48,567,249
Outside U.A.E.	171,497	171,497
	77,209,748	48,738,746

10. Share capital

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Issued and fully paid: 140 million ordinary shares of AED 1 each	140,000,000	140,000,000

11. Net insurance premium revenue

	Three month period ended 31 March 2012 (unaudited) AED	2011 (unaudited) AED
Gross premium written		
Gross premium written	22,904,736	17,277,719
Change in unearned premium	(2,097,487)	406,357
	20,807,249	17,684,076
Reinsurance premium ceded		
Reinsurance premium ceded	(11,002,083)	(8,480,552)
Change in unearned premium	928,829	(386,220)
	(10,073,254)	(8,866,772)
	10,733,995	8,817,304

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

12. Basic earnings per share

	Three month period ended 31 March	
	2012	2011
	(unaudited)	(unaudited)
Profit for the period (in AED)	12,058,858	5,334,150
Number of shares	140,000,000	140,000,000
Basic earnings per share (in AED)	0.09	0.04

13. Cash and cash equivalents

	31 March	
	2012	2011
	(unaudited)	(unaudited)
	AED	AED
Bank balances and cash	77,209,748	40,862,641
Fixed deposit with maturity over 3 months	(37,000,000)	(30,000,000)
Fixed deposits under lien	(4,150,544)	(4,074,033)
	36,059,204	6,788,608

14. Dividend

At the Annual General Meeting held on 19 March 2012, the Shareholders approved cash dividend of 10% (AED 0.10 per share) amounting to AED 14,000,000 for 2011 (2010: Nil). The Shareholders also approved the board of director's remuneration for 2011 of AED 900,000.

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

15. Related party transactions

Transactions:

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

	Three month period ended 31 March	
	2012	2011
	(unaudited)	(unaudited)
	AED	AED
Premium written	195,106	253,237
Management expenses (net)	761,862	229,248
Premiums written through a related party broker	5,627,941	3,849,811
Commission paid	774,551	530,161
Directors' and key management personnel remuneration including benefits	560,026	573,750
Board of Directors remuneration	900,000	-
Claims paid	3,725	22,957
Claims paid through a related party broker	86,567	156,807

Transactions with related parties are entered into at terms agreed with the management.

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

16. Segment information

	Underwriting 31 March 2012 unaudited AED	Investments 31 March 2012 unaudited AED	Total 31 March 2012 unaudited AED	Underwriting 31 March 2011 unaudited AED	Investments 31 March 2011 unaudited AED	Total 31 March 2011 unaudited AED
Segment revenue	22,904,736	-	22,904,736	17,277,719	-	17,277,719
Profit for the period	4,492,652	7,566,206	12,058,858	2,789,708	2,544,442	5,334,150
	31 March 2012 unaudited AED	31 March 2012 Unaudited AED	31 March 2012 unaudited AED	31 December 2011 audited AED	31 December 2011 audited AED	31 December 2011 Audited AED
Segment assets	54,299,295	266,776,394	321,075,689	44,024,742	288,722,734	332,747,476
Unallocated assets	-	-	36,374,537	-	-	8,016,799
Total assets	54,299,295	266,776,394	357,450,226	44,024,742	288,722,734	340,764,275
Segment liabilities	86,616,745	-	86,616,745	68,309,506	-	68,309,506
Unallocated liabilities	-	-	1,532,817	-	-	1,585,943
Total liabilities	86,616,745	-	88,149,562	68,309,506	-	69,895,449

There are no transactions between the business segments.

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

17. Commitments and contingent liabilities

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Letters of guarantees	10,700,507	10,945,508

18. Seasonality of results

No income of seasonal nature was recorded in the statement of income for the three month period ended 31 March 2012 and 2011.

19. Approval of condensed financial statements

The condensed financial statements were approved and authorised for issue on 3 May 2012.