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

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

OMAN INSURANCE COMPANY P.S.C. AND SUBSIDIARY

Contents **Pages**

Deloitte.

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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 September 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 nine 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
26 October 2011

Condensed consolidated statement of financial position
At 30 September 2011

	Notes	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
ASSETS			
Property and equipment		**202,512**	277,459
Investment properties		**341,966**	341,250
Financial investments		**1,489,586**	1,455,524
Statutory deposits		**23,538**	23,538
Re-insurance contract assets	4	**981,290**	1,011,512
Insurance receivables		**956,984**	884,724
Prepayments and other receivables		**100,451**	75,049
Bank balances and cash		**769,442**	751,227
Total assets		**4,865,769**	4,820,283
EQUITY AND LIABILITIES			
Equity			
Share capital	5	**419,884**	419,884
Statutory reserve		**185,532**	185,532
Strategic reserve		**303,750**	303,750
General reserve		**698,170**	698,170
Contingency reserve		**2,196**	2,196
Cumulative changes in fair value of securities		**(499,322)**	(470,577)
Retained earnings		**455,279**	308,886
Total equity		**1,565,489**	1,447,841
Liabilities			
End of service benefits		**42,867**	40,702
Bank borrowings	6	**586,872**	679,226
Insurance contract liabilities	4	**1,954,670**	1,908,100
Re-insurance deposits retained		**132,310**	140,097
Insurance payables		**484,586**	477,585
Trade and other payables		**98,975**	126,732
Total liabilities		**3,300,280**	3,372,442
Total equity and liabilities		**4,865,769**	4,820,283

Abdul Aziz Abdulla Al Ghurair
Chairman

Patrick 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 30 September 2011

	Three month period ended 30 September		Nine month period ended 30 September	
	2011	2010	**2011**	2010
	AED '000	AED '000	**AED '000**	AED '000
Gross insurance premium revenue	**467,173**	467,296	**1,927,181**	1,899,540
Less: Insurance premium ceded to reinsurers	**(223,145)**	(238,789)	**(993,226)**	(968,864)
Net retained premium revenue	**244,028**	228,507	**933,955**	930,676
Net change in unearned premium	**30,006**	38,146	**21,914**	13,321
Net insurance premium revenue	**274,034**	266,653	**955,869**	943,997
Gross claims settled	**(249,195)**	(330,585)	**(815,187)**	(1,074,700)
Insurance claims recovered from reinsurers	**122,357**	188,609	**442,006**	624,882
Net claims settled	**(126,838)**	(141,976)	**(373,181)**	(449,818)
Net change in outstanding claims and additional reserves	**(6,765)**	(34,122)	**(40,329)**	(37,265)
Net claims incurred	**(133,603)**	(176,098)	**(413,510)**	(487,083)
Excess of loss reinsurance premium	**(9,301)**	(13,594)	**(30,884)**	(40,429)
Policies surrendered and maturities paid	**(7,590)**	(6,995)	**(24,074)**	(21,647)
Reinsurance commission income	**39,760**	30,047	**121,294**	111,162
Commission expenses	**(38,517)**	(64,994)	**(165,754)**	(201,202)
General and administrative expenses relating to underwriting activities	**(47,562)**	(36,803)	**(141,222)**	(145,828)
Insurance business fees	**(1,675)**	(1,843)	**(7,018)**	(7,266)
Other (expenses)/income relating to underwriting activities	**(5,911)**	5,408	**13,706**	17,324
	(70,796)	(88,774)	**(233,952)**	(287,886)
Underwriting profit before movements in life assurance fund	**69,635**	1,781	**308,407**	169,028
Decrease/(increase) in life assurance fund	**2,739**	212	**(58,377)**	(16,331)
Net underwriting profit	**72,374**	1,993	**250,030**	152,697
Net investment (loss)/income	**(41,224)**	27,973	**16,256**	57,731
Finance costs	**(9,426)**	(9,411)	**(28,886)**	(27,929)
Impairment of property and equipment	**-**	-	**(70,000)**	**-**
Other expenses - net	**(2,514)**	(5,554)	**(17,096)**	(13,083)
Profit for the period	**19,210**	15,001	**150,304**	169,416
Basic earnings per share (AED) (Note 7)	**0.05**	0.04	**0.36**	0.40

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 September 2011

	Three month period ended 30 September		Nine month period ended 30 September	
	2011	2010	**2011**	2010
	AED '000	AED '000	**AED '000**	AED '000
Profit for the period	**19,210**	15,001	**150,304**	169,416
Other comprehensive income/(loss):				
Net fair value gains /(losses) on investments designated at FVTOCI	**7,167**	32,291	**(33,245)**	(52,544)
Profit/(loss) on sale of investments designated at FVTOCI	**-**	-	**589**	(16)
Board of Directors' remuneration	-	-	**-**	(13,500)
Total other comprehensive income/(loss) for the period	**7,167**	32,291	**(32,656)**	(66,060)
Total comprehensive income for the period	**26,377**	47,292	**117,648**	103,356

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 September 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
Profit for the period	-	-	-	-	-	-	169,416	169,416
Other comprehensive loss for the period	-	-	-	-	-	(52,544)	(13,516)	(66,060)
Total comprehensive income for the period	-	-	-	-	-	(52,544)	155,900	103,356
Issue of bonus shares	38,171	-	-	-	-	-	(38,171)	-
Dividends paid	-	-	-	-	-	-	(152,685)	(152,685)
Balance at 30 September 2010 (unaudited)	419,884	176,123	303,750	674,648	608	(491,780)	418,780	1,502,013
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	-	-	-	-	-	-	150,304	150,304
Other comprehensive loss for the period	-	-	-	-	-	(33,245)	589	(32,656)
Total comprehensive income for the period	-	-	-	-	-	(33,245)	150,893	117,648
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	-	-	4,500	(4,500)	-
Balance at 30 September 2011 (unaudited)	**419,884**	**185,532**	**303,750**	**698,170**	**2,196**	**(499,322)**	**455,279**	**1,565,489**

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 September 2011

	Nine month period ended 30 September	
	2011	2010
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period	**150,304**	169,416
Adjustments for:		
Depreciation of property and equipment	**10,738**	7,475
Fair value adjustments on investment properties	**35,000**	-
Unrealised losses/(gains) on financial investments at FVTPL	**20,060**	(353)
Impairment of property and equipment	**70,000**	-
Provision for end of service benefits	**5,731**	5,997
Allowance for doubtful debts	**12,500**	-
Dividends income from financial investments at FVTPL and FVTOCI	**(38,716)**	(26,195)
Interest income from deposits and financial investments at FVTPL	**(19,839)**	(22,641)
Realised gains on financial investments at FVTPL	**(64)**	-
Finance costs	**28,886**	27,929
Operating cash flows before changes in operating assets and liabilities	**274,600**	161,628
Decrease/(increase) in reinsurance contract assets	**30,222**	(35,207)
Increase in insurance and other receivables	**(103,417)**	(75,202)
Increase in insurance contract liabilities	**46,570**	81,982
(Decrease)/increase in insurance and other payables	**(21,679)**	121,970
Decrease in reinsurance deposits retained	**(7,787)**	(6,443)
Net cash generated from operations	**218,509**	248,728
End of service benefits paid	**(3,566)**	(2,280)
Finance costs paid	**(27,963)**	(30,755)
Net cash generated from operating activities	**186,980**	215,693
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	**(4,298)**	(21,365)
Proceeds from sale of financial investments at FVTOCI	**10,636**	5,171
Purchases of financial investments at FVTPL	**(117,520)**	(89,504)
Proceeds from sale of financial investments at FVTPL	**24,468**	102,487
Dividends income from financial investments at FVTPL and FVTOCI	**38,716**	26,195
Interest income from deposits and financial investments at FVTPL	**13,094**	18,874
Purchase of property and equipment	**(5,791)**	(4,443)
Advance for investment properties	**(35,716)**	(38,577)
Decrease/(increase) in term deposits maturing after 3 month	**26,975**	(69,271)
Net cash used in investing activities	**(49,436)**	(70,433)

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 September 2011 (continued)

	Nine month period ended 30 September	
	2011	2010
	AED'000	AED'000
Cash flows from financing activities		
Dividends paid	**-**	(55,502)
Board of Directors' remuneration paid	**-**	(13,500)
Net (decrease)/increase in bank borrowings	**(68,939)**	19,968
Net cash used in financing activities	**(68,939)**	(49,034)
Net increase in cash and cash equivalents	**68,605**	96,226
Cash and cash equivalents at beginning of the period	**63,389**	26,260
Cash and cash equivalents at end of the period (Note 8)	**131,994**	122,486

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 September 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. 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:

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

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

2. New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 11 *Joint Arrangements*	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	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.

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.

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 2010.

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 nine month period ended 30 September 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. 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 30 September 2011 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 hold 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 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. Summary of significant accounting policies (continued)

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.

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. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

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.

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.

3.5 Financial assets (continued)

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

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.

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.

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

3.5 Financial assets (continued)

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 assets, 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.

3.5.7 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.

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

3.5 Financial assets (continued)

3.5.7 Derecognition of financial assets (continued)

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.

4. Insurance contract liabilities and re-insurance contract assets

	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Insurance contract liabilities		
Outstanding claims	**914,198**	925,710
Additional reserve	**118,750**	97,250
Life assurance fund	**184,897**	126,520
Unearned premium	**736,825**	758,620
	1,954,670	1,908,100
Recoverable from re-insurers		
Outstanding claims	**615,249**	645,590
Unearned premium	**366,041**	365,922
	981,290	1,011,512
Insurance contract liabilities – net		
Outstanding claims	**298,949**	280,120
Additional reserve	**118,750**	97,250
Life assurance fund	**184,897**	126,520
Unearned premium	**370,784**	392,698
	973,380	896,588

5. Share capital

	30 September 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

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

6. Bank borrowings

	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Long term loans	**512,700**	237,700
Short term loans	**-**	343,939
Bank overdraft	**74,172**	97,587
	586,872	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 an amount of AED Nil (31 December 2010: AED 100,000 thousand which carried interest at Deposit rate + 1.00%) and an amount of AED 375,000 thousand (31 December 2010: AED Nil) which carries interest at 3 month EIBOR + 3%. 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%. This loan is available till the date of the disposal of colaterised investments managed by the lender and management expects to repay this loan in three years time.

Short term loans are unsecured and are repayable within six month to one year period of drawn down date. 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 an amount of AED Nil (31 December 2010: AED 50,000 thousand which carried interest at 3 month EIBOR + 2.50%) and an amount AED Nil (31 December 2010: AED 43,750 thousand which carried interest at Deposit rate + 1.00%) 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 bank's base lending rate + 1% and is repayable or renewable on yearly basis.

7. Basic earnings per share

	Three month period ended 30 September		Nine month period ended 30 September	
	2011 (unaudited)	2010 (unaudited)	**2011 (unaudited)**	2010 (unaudited)
Profit for the period (AED '000)	**19,210**	15,001	**150,304**	169,416
Weighted average number of shares	**419,883,750**	419,883,750	**419,883,750**	419,883,750
Basic earnings per share (AED)	**0.05**	0.04	**0.36**	0.40

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

7. Basic earnings per share (continued)

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

8. Cash and cash equivalents

	Nine month period ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
	AED '000	AED '000
Deposits with banks maturing within 3 month	**147,771**	112,542
Bank balances and cash	**58,395**	164,251
	206,166	276,793
Less: Bank overdraft	**(74,172)**	(154,307)
	131,994	122,486

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.

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

	30 September 2011	31 December 2010
	(unaudited)	(audited)
	AED '000	AED '000
Cash and bank balances	**202,115**	210,902
Statutory deposits	**12,527**	12,527
Net insurance receivable	**36,001**	28,233
Net insurance payable	**1,075**	1,721
Bank overdraft	**74,172**	95,734
Short term loans	**-**	150,000
Long term loans	**375,000**	-

b) Quoted shares designated as FVTOCI investments with carrying value of AED 99,065 thousand at 30 September 2011 (31 December 2010: AED 106,706 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.

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

9. Related party transactions (continued)

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

	Three month period ended 30 September		Nine month period ended 30 September	
	2011 (unaudited) AED '000	2010 (unaudited) AED '000	**2011 (unaudited) AED '000**	2010 (unaudited) AED '000
Premiums	**88,001**	26,574	**185,753**	134,759
Claims	**13,870**	21,084	**44,676**	85,688
Finance costs	**5,565**	3,067	**12,962**	10,180
Commission paid	**-**	1,000	**6,000**	2,000
Investment – shares purchases	**-**	-	**847**	5,115
Bank borrowings - net	**25,000**	-	**225,000**	-

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

d) *Compensation of key management personnel*

	Three month period ended 30 September		Nine month period ended 30 September	
	2011 (unaudited) AED '000	2010 (unaudited) AED '000	**2011 (unaudited) AED '000**	2010 (unaudited) AED '000
Director's fees	**-**	-	**2,100**	-
Board of Directors' remuneration	**-**	-	**-**	13,500
Salaries and benefits	**512**	421	**1,746**	7,092
End of service benefits	**33**	33	**101**	101
	545	454	**3,947**	20,693

10. Contingent liabilities

At 30 September 2011, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 38,977 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.

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

11. Commitments

	30 September 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	**43,824**	47,305
Commitments in respect of purchase of investment properties	**4,840**	24,198
	48,664	71,503

Operating lease commitments

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

	30 September 2011 (unaudited) AED '000	31 December 2010 (audited) AED '000
Within one year	**11,652**	10,128
Second to fifth year	**100**	728

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

12. Location of assets

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

	30 September 2011 (unaudited)			31 December 2010 (audited)		
	In U.A.E.	**In other countries**	**Total**	In U.A.E.	In other countries	Total
	AED '000	**AED '000**	**AED '000**	AED '000	AED '000	AED '000
Property and equipment	**201,056**	**1,456**	**202,512**	275,522	1,937	277,459
Investment properties	**341,966**	**-**	**341,966**	341,250	-	341,250
Financial investments designated at fair value through comprehensive income (FVTOCI)	**970,474**	**130,945**	**1,101,419**	992,414	147,999	1,140,413
Financial investments at FVTPL	**36,472**	**351,695**	**388,167**	37,267	277,844	315,111
Bank balances and cash	**655,048**	**114,394**	**769,442**	651,035	100,192	751,227
	2,205,016	**598,490**	**2,803,506**	2,297,488	527,972	2,825,460

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

13. 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:

	Nine month period ended 30 September (unaudited)					
	General insurance		**Medical and life assurance**		**Total**	
	2011 AED '000	2010 AED '000	**2011 AED '000**	2010 AED '000	**2011 AED '000**	2010 AED '000
Gross insurance premium	**1,193,953**	1,321,882	**733,228**	577,658	**1,927,181**	1,899,540
Net underwriting profit	**194,569**	138,339	**55,461**	14,358	**250,030**	152,697
Net investment income					**16,256**	57,731
Finance costs					**(28,886)**	(27,929)
Impairment of property and equipment					**(70,000)**	-
Other expenses - net					**(17,096)**	(13,083)
Profit for the period					**150,304**	169,416

	30 September 2011 (unaudited)			
	General insurance AED '000	**Medical and life assurance AED '000**	**Investment AED '000**	**Total AED '000**
Segment assets	**1,697,964**	**625,204**	**2,542,601**	**4,865,769**
Segment liabilities	**2,145,561**	**642,019**	**512,700**	**3,300,280**
Capital expenditure	**5,642**	**149**	**35,716**	**41,507**
Depreciation	**9,955**	**783**	**-**	**10,738**

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

13. Segment information (continued)

	31 December 2010 (audited)			
	General insurance AED '000	Medical and 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

14. Seasonality of results

Net investment income includes dividend income of AED 38,716 thousand for the nine month period ended 30 September 2011 (30 September 2010: AED 26,195 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 October 2011.