

**Al-Sagr National Insurance Company
(Public Shareholding Company)
Dubai - United Arab Emirates**

**Review report and interim financial information
for the three months period ended 31 March 2013**

Al-Sagr National Insurance Company (Public Shareholding Company)

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Report on Review of Interim Financial Information

The Board of Directors
Al-Sagr National Insurance Company
(Public Shareholding Company)
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Al-Sagr National Insurance Company (Public Shareholding Company), Dubai, United Arab Emirates (the "Company") and its subsidiary (collectively the "Group") as of 31 March 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from 1 January 2013 to 31 March 2013. The Directors of the Group are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). 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 of 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 IAS 34 "Interim Financial Reporting".

Deloitte & Touche (M.E.)



Anis F. Sadek
Registration Number 521
13 May 2013



**Condensed consolidated statement of financial position
As at 31 March 2013**

	Notes	31 March 2013 AED (Unaudited)	31 December 2012 AED (Audited)
ASSETS			
Non-current assets			
Property and equipment		4,208,980	4,609,135
Investment properties	4	182,193,163	211,193,163
Investments in associates	5	541,010	541,010
Held to maturity investments	6	6,799,474	6,799,474
Available for sale investments	6	2,539,123	2,539,123
Total non-current assets		196,281,750	225,681,905
Current assets			
Reinsurance contract assets	7	173,635,521	118,687,160
Insurance and other receivables		251,746,802	199,972,272
Due from related parties	12	162,590,812	162,541,656
Held for trading investments	6	190,680,866	167,969,818
Bank balances and cash	8	314,497,762	289,469,826
Total current assets		1,093,151,763	938,640,732
Total Assets		1,289,433,513	1,164,322,637
EQUITY AND LIABILITIES			
Equity			
Share capital	9	230,000,000	230,000,000
Statutory reserve		52,011,356	52,011,356
General reserve		200,000,000	200,000,000
Investments revaluation reserve		(1,298,925)	(1,298,925)
Retained earnings		129,150,275	106,449,561
Equity attributable to equity holders of the parent		609,862,706	587,161,992
Non-controlling interests		4,272,036	4,146,458
Total Equity		614,134,742	591,308,450
Non-current liabilities			
Due to related parties	12	2,718,191	2,719,273
Provision for employees' end of service indemnity		9,824,518	9,506,175
Total non-current liabilities		12,542,709	12,225,448
Current liabilities			
Insurance contract liabilities	7	322,070,785	253,434,704
Bank borrowings	10	217,433,869	202,679,506
Insurance and other payables		123,251,408	104,674,529
Total current liabilities		662,756,062	560,788,739
Total Liabilities		675,298,771	573,014,187
Total Equity and Liabilities		1,289,433,513	1,164,322,637

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Director and CEO

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

Condensed consolidated statement of income
For the three months period ended 31 March 2013

	Three months period ended 31 March	
	2013 AED (Unaudited)	2012 AED (Unaudited)
Gross insurance premium revenue	145,599,860	118,284,445
Insurance premium ceded to reinsurers	(64,675,326)	(48,287,298)
Net premium revenue	80,924,534	69,997,147
Net changes in unearned premium	(13,653,302)	(11,652,026)
Net insurance premium revenue	67,271,232	58,345,121
Gross claims settled	(72,014,188)	(77,412,079)
Insurance claims recovered from reinsurers	18,312,631	22,518,604
Net claims settled	(53,701,557)	(54,893,475)
Net changes in outstanding claims	(34,418)	3,592,601
Net claims incurred	(53,735,975)	(51,300,874)
Gross commission earned and documentation fees	22,873,662	23,489,386
Less: Commission incurred	(13,132,637)	(10,323,453)
Net commission and documentation fees earned	9,741,025	13,165,933
Underwriting profit	23,276,282	20,210,180
General and administrative expenses relating to underwriting activities	(9,639,692)	(7,782,703)
Net underwriting profit	13,636,590	12,427,477
Investment revenue - net	14,355,209	6,846,504
Other income	133,272	206,042
Finance costs	(2,235,121)	(2,108,306)
Share of profit from associates	-	657,125
Unallocated general and administrative expenses	(3,063,658)	(3,582,329)
Profit for the period	22,826,292	14,446,513
Attributable to:		
Equity holders of the parent	22,700,714	14,604,571
Non-controlling interest	125,578	(158,058)
	22,826,292	14,446,513
Basic earnings per share (Note 11)	0.10	0.06

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

Condensed consolidated statement of comprehensive income
For the three months period ended 31 March 2013

	Three months period ended	
	31 March	
	2013	2012
	AED	AED
	(Unaudited)	(Unaudited)
Profit for the period	22,826,292	14,446,513
Other comprehensive income		
Loss on revaluation of available for sale investments	-	(4,693)
Total comprehensive income for the period	22,826,292	14,441,820
Total comprehensive income attributable to:		
Equity holders of the parent	22,700,714	14,600,467
Non-controlling interest	125,578	(158,647)
	22,826,292	14,441,820

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

Condensed consolidated statement of changes in equity
For the three months period ended 31 March 2013

	Share capital AED	Statutory reserve AED	General reserve AED	Investments revaluation reserve AED	Retained earnings AED	Attributable to equity holders of the parent AED	Non-controlling interest AED	Total AED
Balance at 31 December 2011 (Audited)	230,000,000	49,209,674	200,000,000	(32,976)	91,567,776	570,744,474	4,159,540	574,904,014
Profit/(loss) for the period	-	-	-	-	14,604,571	14,604,571	(158,058)	14,446,513
Other comprehensive loss	-	-	-	(4,104)	-	(4,104)	(589)	(4,693)
Total comprehensive (loss)/ income for the period	-	-	-	(4,104)	14,604,571	14,600,467	(158,647)	14,441,820
Balance at 31 March 2012 (Unaudited)	230,000,000	49,209,674	200,000,000	(37,080)	106,172,347	585,344,941	4,000,893	589,345,834
Balance at 31 December 2012 (Audited)	230,000,000	52,011,356	200,000,000	(1,298,925)	106,449,561	587,161,992	4,146,458	591,308,450
Profit for the period	-	-	-	-	22,700,714	22,700,714	125,578	22,826,292
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	22,700,714	22,700,714	125,578	22,826,292
Balance at 31 March 2013 (Unaudited)	230,000,000	52,011,356	200,000,000	(1,298,925)	129,150,275	609,862,706	4,272,036	614,134,742

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

Condensed consolidated statement of cash flows
For the three months period ended 31 March 2013

	Three months period ended 31 March	
	2013 AED (Unaudited)	2012 AED (Unaudited)
Cash flows from operating activities		
Profit for the period	22,826,292	14,446,513
Adjustments for:		
Depreciation of property and equipment	425,839	388,902
Investment revenue	(4,806,655)	(1,324,912)
Interest income	(2,174,071)	(2,130,878)
Gain on revaluation of held for trading investments	(10,730,691)	(2,773,142)
Provision for employees' end of service indemnity	390,402	355,579
Share of profit from associates	-	(657,125)
Finance costs	2,235,121	2,108,306
	<hr/>	<hr/>
Operating cash flows before movements in working capital	8,166,237	10,413,243
Increase in reinsurance contract assets	(54,948,361)	(7,205,829)
Increase in insurance and other receivables	(51,774,530)	(46,625,227)
Increase in due from related parties	(49,156)	(1,245,444)
Decrease in fixed deposits with banks	165,015,304	79,211,866
Increase in insurance contract liabilities	68,636,081	18,505,685
Increase in insurance and other payables	18,576,879	19,994,240
Decrease in due to related parties	(1,082)	-
	<hr/>	<hr/>
Cash generated from operations	153,621,372	73,048,534
Interest paid	(2,235,121)	(2,108,306)
Employees' end of service indemnity paid	(72,059)	(4,419)
	<hr/>	<hr/>
Net cash from operating activities	151,314,192	70,935,809
	<hr/>	<hr/>
Cash flows from investing activities		
Net (investment in)/ proceeds from sale of securities	(8,355,839)	1,021,364
Net proceeds from disposal of investment properties	29,000,000	-
Purchase of property and equipment	(25,684)	(37,557)
Dividends received	1,182,137	834,758
Interest received	2,174,071	2,130,878
	<hr/>	<hr/>
Net cash from investing activities	23,974,685	3,949,443
	<hr/>	<hr/>
Cash flows from financing activity		
Increase in bank borrowings	14,754,363	3,311,752
	<hr/>	<hr/>
Net cash from financing activity	14,754,363	3,311,752
	<hr/>	<hr/>
Net increase in cash and cash equivalents	190,043,240	78,197,004
Cash and cash equivalents at beginning of the period	21,253,990	6,574,608
	<hr/>	<hr/>
Cash and cash equivalents at end of the period (Note 8)	211,297,230	84,771,612
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The accompanying notes form an integral part of these condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
For the three months period ended 31 March 2013**

1. General information

Al-Sagr National Insurance Company (the “Company”) was incorporated on December 25, 1979 as a public shareholding company by an Emiri Decree from His Highness, The Ruler of Dubai, and is registered with the Ministry of Economy of the United Arab Emirates under registration No. (16). The Company’s address in Dubai is P.O. Box 14614, Dubai, U.A.E. The Company is a subsidiary of Gulf General Investment Company (the “Parent Company” or “GGICO”), a public company incorporated in U.A.E.

The principal activity of the Company is the writing of insurance of all types. The Company operates through its Head Office in Dubai and its branches in Dubai, Sharjah, Abu Dhabi, Ajman, Ras Al Khaimah and Al Ain in the U.A.E.

The condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiary (collectively the “Group”). Details of the subsidiary are as follows:

<u>Company name</u>	<u>Activity</u>	<u>Country of incorporation</u>	<u>Ownership held</u> %
Jordan Emirates Insurance Company PSC	Underwriting of insurance of all types	Jordan	88.362%

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

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

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

- Amendments to IFRS 1 *Government Loans* provide relief to first-time adopters of IFRSs by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance to government loans outstanding at the date of transition to IFRSs.
- Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.
- IFRS 10 *Consolidated Financial Statements* 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 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* have been amended for the issuance of IFRS 10.
- IFRS 11 *Joint Arrangements* 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 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.
- IFRS 12 *Disclosure of Interests in Other Entities* combines the disclosure requirements for an entity’s interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard.

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

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

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements (continued)

- 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.
- 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.
- Amendments to IAS 19 *Employee Benefits* eliminate the “corridor approach” and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur.
- Annual Improvements to *IFRSs 2009 - 2011 Cycle*.

The annual improvements include the amendments to five IFRSs which have been summarized below:

- IFRS 1 *First Time Adoption of International Financial Reporting Standards* - Repeated application of IFRS 1.
- IFRS 1 *First Time Adoption of International Financial Reporting Standards* - Borrowing costs.
- IAS 1 *Presentation of Financial Statements* - Clarification of the requirements for comparative information.
- IAS 16 *Property, Plant and Equipment* - Classification of serving equipment.
- IAS 32 *Financial Instruments: Presentation* - Tax effect of the distribution to the holders of equity instruments.
- IAS 34 *Interim Financial Reporting* - Interim financial reporting and segment information for total assets and liabilities.

2.2 Amendments to IFRSs affecting presentation and disclosure only

The following revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has affected the presentation and disclosure only and did not result in any impact on the reported amounts.

- Amendments to IAS 1 *Presentation of Financial Statements*

The amendments require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

- Amendments to IAS 34 *Interim Financial Reporting*

The amendments require additional disclosures for the fair value of the financial instruments as required by IFRS 13 *Fair Value Measurement* and IFRS 7 *Financial Instruments*.

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

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

2.3 New and revised IFRSs is in issue but not yet effective

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<ul style="list-style-type: none"> • Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS. 	<p>1 January 2015 (or otherwise when IFRS 9 is first applied)</p>
<ul style="list-style-type: none"> • IFRS 9 <i>Financial Instruments</i> issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. <p><i>Key requirements of IFRS 9 are described as follows:</i></p> <ul style="list-style-type: none"> ▪ IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 <i>Financial Instruments: Recognition and Measurement</i> to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. ▪ The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss. 	<p>1 January 2015</p>
<ul style="list-style-type: none"> • Amendments to IAS 32 <i>Financial Instruments: Presentation</i> relating to application guidance on the offsetting of financial assets and financial liabilities. 	<p>1 January 2014</p>

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

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

2.3 New and revised IFRSs is in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<ul style="list-style-type: none"> Amendments to IFRS 10, IFRS 12 and IAS 27 - Guidance on Investment Entities 	1 January 2014

On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The amendments establish an exception to IFRS 10's general consolidation principle for investment entities, requiring them to "measure particular subsidiaries at fair value through profit or loss, rather than consolidate them." In addition, the amendments outline required disclosures for reporting entities that meet the definition of an investment entity.

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no impact on the condensed consolidated financial statements of the Group in the period of initial application.

3. Accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial and non-financial instruments, which are carried at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The condensed consolidated financial statements of the Group is prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standard Board and also complies with the applicable requirements of the laws in the U.A.E. The accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those used in the preparation of the annual audited consolidated financial statements for the year ended 31 December 2012.

The condensed consolidated financial statements does not include all the information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's consolidated financial statements as of 31 December 2012. In addition, results for the three months period ended 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

Significant judgments and key sources of estimation uncertainty

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

In preparing these condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2012.

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

3. Accounting policies (continued)

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

4. Investment properties

	31 March 2013 AED (Unaudited)	31 December 2012 AED (Audited)
Cost at beginning of the period/year	305,347,114	305,347,114
Disposal during the period	(29,000,000)	-
Cost at end of the period/year	276,347,114	305,347,114
Net loss on revaluation of investment properties	(94,153,951)	(94,153,951)
	182,193,163	211,193,163

The Group has certain investment properties jointly controlled with Gulf General Investment Company PSC (referred hereafter as "GGICO") the details of which are as follows:

- (i) A 10% ownership share in Meydan Tower, a property located in Dubai. The Group has contributed AED 152.96 million as at 31 March 2013 (31 December 2012: AED 152.96 million). The 10% ownership is held in the name of GGICO Real Estate Development Co. LLC on trust and for the benefit of the Group. The Group has additional commitment of AED 46 million as at 31 March 2013 (31 December 2012: AED 46 million) in relation to the property.
- (ii) A 30% ownership share in the purchase of 4 plots of land at Emirates Industrial City. The 30% ownership is held in the name of GGICO on trust and for the benefit of the Group.

The Group used the fair value model permitted under IAS 40 for determining the carrying value of the investment property. The valuation as of 31 December 2012, which conforms to international valuation standards, was arrived at by reference to market evidence of transaction prices for similar properties, and was determined by an independent valuation expert. The Group's management reassessed this valuation for the three months period ended 31 March 2013 and no material differences were noted.

5. Investments in associates

	31 March 2013 AED (Unaudited)	31 December 2012 AED (Audited)
Green Air Technology L.L.C, United Arab Emirates [Note 5(a)]	391,010	391,010
Sogour Al Khaleej General Trading Company, United Arab Emirates [Note 5(b)]	150,000	150,000
	541,010	541,010

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

5. Investments in associates (continued)

- (a) The Group holds 50% ownership in Green Air Technology L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates. The remaining 50% ownership is owned equally by the Parent Company and the CEO of the Company. The 50% share is registered in the name of GGICO on behalf and for the benefit of the Company.
- (b) The Group holds 50% ownership in Sogour Al Khaleej General Trading L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates. The main activity of the Company is general trading. The remaining 50% ownership is owned by GGICO.

Although, the Group holds 50% equity in 2 associates, these are controlled by the Parent Company. The Group does not participate in the financial and operating policy decisions of these associates. Consequently, these companies are not treated as subsidiaries.

6. Investments in securities

Movement of investments in securities during the period/year is as follows:

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
a) Held for trading investments		
Fair value at beginning of the period/year	167,969,818	54,014,152
Transfer from investment in associate [Note 6(d)]	-	47,466,685
Net additions/(disposals) during the period/year	11,980,357	(2,822,102)
Increase in fair value during the period/year	10,730,691	69,311,083
Fair value at end of the period/year	190,680,866	167,969,818
b) Available for sale investments		
Fair value at beginning of the period/year	2,539,123	3,979,973
Net disposals during the period/year	-	(8,165)
Decrease in fair value	-	(1,432,685)
Fair value at end of the period/year	2,539,123	2,539,123
c) Held to maturity investments		
Amortised cost at end of the period/year	6,799,474	6,799,474
d) During 2012, the Group disposed of 7% of its shareholding in Al Sagr Co-operative Insurance Company at a fair value of AED 22.03 million recognising a gain of AED 4.53 million in the consolidated statement of income. Subsequent to disposal, the Group reclassified its investment in Al Sagr Co-operative Insurance Company as held for trading at a carrying value of AED 47.4 million as disposal resulted in a loss of significant influence and the Group continues to hold 19% shareholding at reporting date.		

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

7. Insurance contract liabilities and re-insurance contract assets

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Gross		
Insurance contract liabilities		
Claims reported unsettled	170,026,268	128,562,399
Claims incurred but not reported	10,224,615	10,351,983
Unearned premiums	141,819,902	114,520,322
Total insurance contract liabilities	<u>322,070,785</u>	<u>253,434,704</u>
Recoverable from reinsurers		
Claims reported unsettled	119,893,637	78,591,554
Unearned premiums	53,741,884	40,095,606
Total recoverable from reinsurers	<u>173,635,521</u>	<u>118,687,160</u>
Net		
Claims reported unsettled	50,132,631	49,970,845
Claims incurred but not reported	10,224,615	10,351,983
Unearned premiums	88,078,018	74,424,716
	<u>148,435,264</u>	<u>134,747,544</u>

8. Bank balances and cash

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Cash on hand	221,341	1,058,978
Bank balances:		
Current accounts	3,696,506	6,502,715
Fixed deposits	310,579,915	281,908,133
	<u>314,497,762</u>	<u>289,469,826</u>

Fixed deposits with banks as at 31 March 2013 include AED 10 million (31 December 2012: AED 10 million) deposited in the name of the Group to the order of the Minister of Economy of the United Arab Emirates as required by the Federal Law Number (6) of 2007 concerning Insurance Authority.

Fixed deposits amounting to AED 180 million (31 December 2012: AED 180 million) are under lien in respect of bank credit facilities granted to the Group.

All fixed deposits with banks mature within different periods not exceeding one year from the reporting date and carry interest rate from 3.0% to 5.5% per annum (31 December 2012: 2.5% to 5.5% per annum).

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

8. Bank balances and cash (continued)

For cash flow purposes, the cash and cash equivalents is analyzed as follows:

	31 March 2013 (Unaudited) AED	31 March 2012 (Unaudited) AED
Bank balances and cash	314,497,762	275,741,246
Long term fixed deposits	(103,200,532)	(190,969,634)
Cash and cash equivalents	211,297,230	84,771,612

9. Share capital

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Issued and fully paid: 230,000,000 shares of AED 1 each (31 December 2012: 230,000,000 shares of AED 1 each)	230,000,000	230,000,000

10. Bank borrowings

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
<i>Secured at amortised cost</i> Bank overdrafts	217,433,869	202,679,506

The Group has bank facilities in the form of overdraft repayable on demand and bearing interest ranging from 3.05% to 3.88% per annum (31 December 2012: 3.05 to 3.88% per annum). These facilities are secured by lien on fixed deposits amounting to AED 180 million (31 December 2012: AED 180 million). The bank overdraft limit provided under the facilities is AED 247 million (31 December 2012: AED 247 million).

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

11. Basic earnings per share

	Three months period ended 31 March	
	2013 (Unaudited)	2012 (Unaudited)
Profit for the period attributable to equity holders of the parent - AED	22,700,714	14,604,571
Weighted average numbers of shares	230,000,000	230,000,000
Basic earnings per share - AED	0.10	0.06

Basic earnings per share are calculated by dividing the profit for the period attributable to the equity holders of the parent by the weighted average number of shares outstanding as of the reporting date.

12. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, shareholders, directors and key management personnel of the Group, their close family members and entities controlled, jointly controlled or significantly influenced by such parties. The management decides on the terms and conditions of services received from/rendered to related parties as well as on other charges.

At the reporting date, amounts due from/to related parties were included in the following accounts:

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Included in insurance and other receivables		
Due from policyholders	2,560,113	1,894,985
Due from shareholders	17,297,193	8,864,483
Included in due from related parties		
Due from related parties	210,090,812	210,041,656
Allowance for doubtful debts	(47,500,000)	(47,500,000)
	<u>162,590,812</u>	<u>162,541,656</u>
Included in due to related parties		
Due to shareholders	2,718,191	2,719,273
Included in insurance and other payables		
Gross outstanding claims	347,703	14,141

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

12. Related party transactions (continued)

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

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

	Three months period ended 31 March	
	2013 (Unaudited) AED	2012 (Unaudited) AED
Gross premium	10,947,187	3,220,642
Claims paid	125,751	280,439
	<u>10,947,187</u>	<u>3,220,642</u>

Compensation of key management personnel

	Three months period ended 31 March	
	2013 (Unaudited) AED	2012 (Unaudited) AED
Short and long term benefits	1,751,389	1,746,224
	<u>1,751,389</u>	<u>1,746,224</u>

13. Contingent liabilities

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
	Letters of guarantee	17,701,134
Capital commitments	46,610,000	46,610,000
	<u>17,701,134</u>	<u>18,351,134</u>
	<u>46,610,000</u>	<u>46,610,000</u>

14. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated statement of income for the three month period ended 31 March 2013 and 2012.

15. Segment information

For operating purposes, the Group is organised into two main business segments:

Underwriting of general insurance business - incorporating all classes of general insurance fire, marine, motor, general accident and miscellaneous.

Investments - incorporating investments in U.A.E. marketable equity securities, term deposits with banks, investment properties, managed portfolios and other securities.

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

15. Segment information (continued)

Primary segment information- business segment

The following is an analysis of the Group's revenue and results by operating segment:

	Three-months period ended 31 March (Unaudited)					
	Underwriting		Investments		Total	
	31 March 2013 AED	31 December 2012 AED	31 March 2013 AED	31 December 2012 AED	31 March 2013 AED	31 December 2012 AED
Segment revenue	145,599,860	118,284,445	14,355,209	7,503,629	159,955,069	125,788,074
Segment result	13,636,590	12,427,477	12,120,088	5,395,323	25,756,678	17,822,800
Unallocated expenses					(2,930,386)	(3,376,287)
Net profit for the period					22,826,292	14,446,513

The following is an analysis of the Group's assets and liabilities by operating segment:

	Underwriting		Investments		Total	
	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
	Segment assets	906,679,877	775,280,049	382,753,636	389,042,588	1,289,433,513
Segment liabilities	457,864,902	370,334,681	217,433,869	202,679,506	675,298,771	573,014,187

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

15. Segment information (continued)

There are no transactions between the business segments.

Secondary segment information - revenue from underwriting departments

The following is an analysis of the Group's revenues classified by major underwriting departments.

	Three months period ended	
	31 March	
	2013	2012
	(Unaudited)	(Unaudited)
	AED	AED
Accidents and liabilities	96,430,549	78,909,009
Fire and general accidents	8,719,338	9,904,227
Marine and aviation	40,449,973	29,471,209
	<u>145,599,860</u>	<u>118,284,445</u>

16. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between book value under historical cost method and fair value estimates.

The management considers that the fair values of the financial assets and liabilities are not materially different from their carrying values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the condensed consolidated financial statements (continued)
For the three months period ended 31 March 2013

16. Fair value of financial instruments (continued)

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

	31 March 2013 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
Held for trading	190,680,866	-	-	190,680,866
Held to maturity	-	6,799,474	-	6,799,474
Available for sale	2,539,123	-	-	2,539,123
Total	193,219,989	6,799,474	-	200,019,463

	31 December 2012 (Audited)			
	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
Held for trading	167,969,818	-	-	167,969,818
Held to maturity	-	6,799,474	-	6,799,474
Available for sale	2,539,123	-	-	2,539,123
Total	170,508,941	6,799,474	-	177,308,415

There were no transfers between Level 1 and 2 during the year.

The table above only includes financial assets. There are no financial liabilities measured at fair value at reporting date.

All gain and losses included in condensed consolidated statement of comprehensive income relate to available for sale investments held at the end of the year and are reported as changes to 'Investments revaluation reserve'.

17. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements for the three months period ended 31 March 2013 were approved by the Board of Directors and authorized for issue on 13 May 2013.