AL DHAFRA INSURANCE COMPANY P.S.C.

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

AL DHAFRA INSURANCE COMPANY P.S.C.

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

The Board of Director's Report for the period ended 31 March 2013

The Board of Directors takes great pleasure in presenting the unaudited results for the first quarter of 2013.

We are pleased to report that, as noted below, net underwriting income increased by 10.28% and profit has increased by 24.22% as compared to the same period of last year.

Particulars	3 months ended 31 March		
	2013 (unaudited) AED	2012 (unaudited) AED	Variance %
Condensed income statement			
Gross written premium	**121,546,113**	114,194,193	6.44%
Net underwriting income	**34,365,692**	31,163,534	10.28%
Administrative and other operating expenses	**9,183,882**	8,360,958	9.84%
Net investment and other income	**7,873,776**	3,807,226	106.81%
Profit for the period	**33,055,586**	26,609,802	24.22%
Basic and diluted earnings per share (AED)	**0.33**	0.27	

	March 2013 (unaudited) AED	December 2012 (audited) AED	Variance %
Condensed statement of financial position			
Shareholders' equity	**326,387,447**	312,129,503	4.57%
Total assets	**803,277,611**	709,832,325	13.16%

We expect improvement in the overall investment segment results in the current year compared to 2012. We are confident that the year 2013 will be another strong year for the Company as far as the technical results are concerned.

Chairman
5 May 2013

AL DHAFRA INSURANCE CO. P.S.C.-FAD 1 ABU DHABI

Deloitte.

Deloitte & Touche (M.E.)
Al Sila Tower
Sowwah Square
P. O . Box 990
Abu Dhabi, United Arab Emirates

Tel: +971 2 408 2424
Fax: +971 2 408 2525
www.deloitte.com

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Al Dhafra Insurance Company P.S.C.
Abu Dhabi, UAE

Introduction

We have reviewed the accompanying condensed statement of financial position of Al Dhafra Insurance Company P.S.C. (the "Company") as of 31 March 2013 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management of the Company is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard IAS 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 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 IAS 34.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
5 May 2013

Condensed statement of financial position as at 31 March 2013

	Notes	31 March 2013 (unaudited) AED	31 December 2012 (audited) AED
ASSETS			
Non-current assets			
Property and equipment		**1,240,398**	2,576,041
Investment properties	5	**82,000,000**	82,000,000
Intangible assets	6	**4,711,620**	3,562,859
Investments designated at fair value through other comprehensive income (FVTOCI)	7	**117,191,804**	96,252,070
Investments at amortised cost	7	**13,524,400**	13,524,400
Statutory deposit	8	**10,000,000**	10,000,000
Total non-current assets		**228,668,222**	207,915,370
Current assets			
Investments designated at fair value through profit or loss (FVTPL)	7	**80,758,866**	87,472,864
Reinsurance contract assets	9	**118,584,444**	116,008,298
Trade and other receivables	11	**168,813,973**	103,282,175
Prepayments		**2,088,998**	2,010,769
Bank balances and cash	12	**204,363,108**	193,142,849
Total current assets		**574,609,389**	501,916,955
Total assets		**803,277,611**	709,832,325
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	**100,000,000**	100,000,000
Legal reserve	14	**46,928,103**	46,928,103
General reserve	15	**145,000,000**	145,000,000
Investment revaluation reserve		**(74,896,872)**	(96,460,870)
Retained earnings		**109,356,216**	116,662,270
Total shareholders' equity		**326,387,447**	312,129,503
Non-current liability			
Provision for end of service benefits		**6,981,621**	6,294,849
Current liabilities			
Insurance contract liabilities	9	**271,643,257**	248,346,069
Trade and other payables	16	**198,265,286**	143,061,904
Total current liabilities		**469,908,543**	391,407,973
Total liabilities		**476,890,164**	397,702,822
Total equity and liabilities		**803,277,611**	709,832,325

AL DHAFRA INSURANCE CO. P.S.C.-FAD 1 ABU DHABI

.... **General Manager**

.... **Board Member**

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

Condensed income statement (unaudited)
for the period ended 31 March 2013

	Notes	Three months ended 31 March 2013 AED	2012 AED
Gross written premium		**121,546,113**	114,194,193
Change in unearned premium provision		**(2,783,168)**	(4,763,347)
Premium income earned		**118,762,945**	109,430,846
Reinsurance premium ceded		**(34,361,683)**	(36,047,128)
Change in unearned premium provision		**(532,197)**	(3,207,548)
Reinsurance ceded		**(34,893,880)**	(39,254,676)
Net premium earned		**83,869,065**	70,176,170
Net claims incurred		**(51,028,638)**	(39,499,229)
Gross commission earned		**5,207,088**	5,050,975
Less: commission incurred		**(3,681,823)**	(4,564,382)
Net commission earned		**1,525,265**	486,593
Net underwriting income		**34,365,692**	31,163,534
Administrative expenses		**(7,366,508)**	(6,624,914)
Other operating expenses		**(1,817,374)**	(1,736,044)
Net investment and other income	17	**7,873,776**	3,807,226
Profit for the period	18	**33,055,586**	26,609,802
Basic and diluted earnings per ordinary share	19	**0.33**	0.27

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

Condensed statement of comprehensive income (unaudited) for the period ended 31 March 2013

	Notes	Three months ended 31 March 2013 AED	2012 AED
Profit for the period		**33,055,586**	26,609,802
Other comprehensive income/(loss):			
Items not to be reclassified to profit or loss in subsequent period:			
Gain on disposal of investments at FVTOCI		**40,663**	-
Net fair value gain on investments at FVTOCI	7	**21,161,695**	7,554,846
Directors' remuneration	10	**-**	(750,000)
Total other comprehensive income for the period		**21,202,358**	6,804,846
Total comprehensive income for the period		**54,257,944**	33,414,648

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

Condensed statement of changes in equity for the period ended 31 March 2013

	Share capital AED	Bonus share issued AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2012 (audited)	90,000,000	-	41,990,393	145,000,000	(105,970,180)	123,581,300	294,601,513
Profit for the period	-	-	-	-	-	26,609,802	26,609,802
Other comprehensive income/(loss)	-	-	-	-	7,554,846	(750,000)	6,804,846
Total comprehensive income for the period	-	-	-	-	7,554,846	25,859,802	33,414,648
Dividends	-	-	-	-	-	(36,000,000)	(36,000,000)
Issuance of bonus shares	-	10,000,000	-	-	-	(10,000,000)	-
Balance at 31 March 2012 (unaudited)	**90,000,000**	**10,000,000**	**41,990,393**	**145,000,000**	**(98,415,334)**	**103,441,102**	**292,016,161**
Balance at 1 January 2013 (audited)	100,000,000	-	46,928,103	145,000,000	(96,460,870)	116,662,270	312,129,503
Profit for the period	-	-	-	-	-	33,055,586	33,055,586
Other comprehensive income	-	-	-	-	21,161,695	40,663	21,202,358
Total comprehensive income for the period	-	-	-	-	21,161,695	33,096,249	54,257,944
Dividends (note 13)	-	-	-	-	-	(40,000,000)	(40,000,000)
Transfer to retained earnings on disposal of Investments at FVTOCI	-	-	-	-	402,303	(402,303)	-
Balance at 31 March 2013 (unaudited)	**100,000,000**	-	**46,928,103**	**145,000,000**	**(74,896,872)**	**109,356,216**	**326,387,447**

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

Condensed statement of cash flows (unaudited)
for the period ended 31 March 2013

	Notes	Three months ended 31 March 2013 AED	2012 AED
Operating activities			
Profit for the period		**33,055,586**	26,609,802
Adjustments for:			
Depreciation of property and equipment		**146,203**	184,964
Amortisation of intangible assets		**341,014**	334,501
Investment income		**(7,747,997)**	(3,305,673)
Loss on disposal of property and equipment	17	**10,270**	-
Net transfer to provision for end of service benefit		**686,772**	819,662
Operating cash flows before movements in working capital		**26,491,848**	24,643,256
(Increase)/decrease in reinsurance contract assets		**(2,576,146)**	6,449,654
Increase in insurance contract liabilities		**23,297,188**	12,896,891
Increase in trade and other receivables		**(64,944,498)**	(39,013,072)
Increase in prepayments		**(78,229)**	(351,585)
Increase/(decrease) in trade and other payables		**18,203,382**	(5,059,929)
Net cash generated by/(used in) operating activities		**393,545**	(434,785)
Investing activities			
Movement in bank deposits with original maturities of greater than three months		**19,354,266**	36,359,547
Interest received		**417,154**	959,227
Dividends received	17	**819,948**	311,376
Net rental income on investment properties	17	**961,144**	859,240
Proceeds from disposal of property and equipment		**4,900**	-
Payments for property and equipment		**(54,079)**	(117,283)
Payments for intangible assets		**(261,426)**	(466,513)
Payments for purchase of investment at FVTPL		**(23,207,242)**	(22,466,363)
Proceeds from disposal of investment at FVTPL		**34,957,305**	26,486,331
Proceeds from disposal of investment at FVTOCI		**262,624**	-
Payment of investment expenses	17	**(73,614)**	(108,097)
Directors' remuneration paid		**(3,000,000)**	(3,000,000)
Net cash from investing activities		**30,180,980**	38,817,465
Increase in cash and cash equivalents		**30,574,525**	38,382,680
Cash and cash equivalents at the beginning of the period		**70,242,486**	14,624,040
Cash and cash equivalents at the end of period	12	**100,817,011**	53,006,720

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

Notes to the condensed financial statements
for the period ended 31 March 2013

1 General information

Al Dhafra Insurance Company P.S.C. (the "Company") is a public shareholding company incorporated in Abu Dhabi by Emiri Decree No. 8 of 1979.

The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 319, Abu Dhabi.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company is engaged in insurance and reinsurance of all classes of business with the exception of endowments and annuities.

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

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

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

New and revised IFRSs	Summary of requirement
IAS 19 *Employee Benefits* (as revised in 2011)	IAS19 includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised.
IAS 27 *Separate Financial Statements* (as revised in 2011)	The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.* The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

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 consolidated financial statements (continued)

New and revised IFRSs	Summary of requirement
IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)	This standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* relating to accounting for government loans at below market interest rate	Amends IFRS 1 *First-time Adoption of International Financial Reporting Standards* to address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 *Accounting for Government Grants* and Disclosure of Government Assistance in relation to accounting for government loans.
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to offsetting financial assets and liabilities	Amends the disclosure requirements in IFRS 7 *Financial Instruments: Disclosures* to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 *Financial Instruments: Presentation*.
IFRS 10 *Consolidated Financial Statements*	The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities').
IFRS 11 *Joint Arrangements*	Replaces IAS 31 *Interests in Joint Ventures*. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

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 consolidated financial statements (continued)

New and revised IFRSs	Summary of requirement
IFRS 12 *Disclosure of Interests in Other Entities*	Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
IFRS 13 *Fair Value Measurement*	IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs, Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date, Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, Level 3 - unobservable inputs for the asset or liability. Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.
Annual Improvements 2009 – 2011 *Cycle* covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34	Makes amendments to the following standards: IFRS 1 — Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets, IAS 1 — Clarification of the requirements for comparative information, IAS 16 — Classification of servicing equipment, IAS 32 — Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes, IAS 34 — Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 *Operating Segments*
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

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 consolidated financial statements (continued)

New and revised IFRSs	Summary of requirement
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.

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective

The Company has not applied 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 32 *Financial Instruments: Presentation* relating to offsetting financial assets and liabilities	1 January 2014
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* relating to investment entities and exemption of consolidation of particular subsidiaries.	1 January 2014
IFRS 12 *Disclosure of Interests in Other Entities* – Amendments for Investments entities	1 January 2014
IAS 27 *Separate Financial Statements* – Amendments for Investments entities	1 January 2014

Management anticipates that the adoption of these IFRSs in future period will have no material impact on the financial statements of the Company in the period of initial application.

3 Summary of significant accounting policies

3.1 Basis of preparation

The condensed financial statements are prepared in accordance with International Accounting Standard (IAS) No. 34, "*Interim Financial Reporting*" issued by the International Accounting Standard Board 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.

The condensed financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments and revaluation of investment properties.

The accounting policies and methods used in the preparation of these condensed financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective 1 January 2013.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies related to investment properties and financial instruments as disclosed in the annual financial statements have been disclosed in paragraph 3.2 to 3.3 below.

3.2 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

3.3 Investment in securities

3.3.1 Investments at amortised cost

Debt instruments are measured at amortised cost if both of the following conditions are met:

- 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.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see note 3.3.2 below). They are subsequently measured at amortised cost using the effective interest method less any impairment.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

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 through the expected life of the debt instrument, or, (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3 Summary of significant accounting policies

3.3 Investment in securities

3.3.2 Investments at fair value through profit and loss (FVTPL)

Debt instrument financial assets that do not meet the amortised cost criteria described in note 3.3.1, or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Company has not designated a debt instrument financial asset as at FVTPL.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from FVTPL to amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition is not permitted.

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) at initial recognition as described in note 3.3.3 below.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the 'net investment and other income' line item in the profit and loss. Fair value is determined with reference to quoted prices.

3.3.3 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 investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

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. Dividends earned are recognised in profit or loss and are included in the 'net investment and other income' line item in the profit and loss.

4 Estimates

The preparation of these condensed 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 financial statements, the significant judgments made by management in applying the Company's accounting policies, and the key sources of estimates uncertainty were the same as those were applied to the financial statements as at and for the year ended 31 December 2012.

5 Investment properties

	Land AED	Abu Dhabi building AED	Al Ain building AED	Total AED
Fair values as at 1 January 2012 and 31 March 2013 (unaudited)	52,935,000	24,500,000	4,565,000	**82,000,000**

Management has considered recent prices for similar properties in the same location and similar condition and also the prevailing situation of real estate properties in UAE and considered the valuation report from Technical and Loss Adjusting Services LLC who have determined the fair values of the land and buildings to be AED 82,000,000, as at 31 December 2012. Management believes that there has been no change to the key assumptions used and accordingly, there is no change in the fair value of the investment properties as at 31 March 2013.

The plots of land in Abu Dhabi and Al Ain on which investment properties are constructed were awarded to the Company free of cost by the Executive Council of the Government of Abu Dhabi on 21 June 1981 and 27 August 1983, respectively. The fair values of the plots of land in Abu Dhabi and Al Ain as at 31 December 2012 amounted to AED 45,000,000 and AED 7,935,000, respectively.

The construction of the Abu Dhabi head office building was completed during 1992. The Company occupies three floors of the building for its Head Office with the remaining fourteen floors available for letting to third parties.

The construction of the Al Ain office building was completed in 1993. The Company is utilising the first and mezzanine floors for housing its Al Ain Branch office with the remaining space available for letting to third parties.

6 Intangible assets

Intangible assets primarily represent the cost of insurance computer system software purchased and additional costs incurred in the upgrading of the existing computer software system. These are amortized over useful lives of 6 years. During the period an amount of AED 1,228,349 was transferred from property and equipment to intangible assets, representing the cost of the new insurance software.

7 Investments

7.1 Composition of investments

	31 March 2013 (unaudited) AED	31 December 2012 (audited) AED
Investments at FVTOCI		
Quoted UAE equity securities	**117,191,804**	96,252,070
Investments at FVTPL		
Investment funds	**80,758,866**	87,472,864
Investments at amortised cost		
Investment funds	**3,610,000**	3,610,000
Bonds	**9,914,400**	9,914,400
	13,524,400	13,524,400
Current	-	-
Non-current	**13,524,400**	13,524,400
	13,524,400	13,524,400

Investment funds included in investments at FVTPL comprise various mutual funds in the UAE.

Included in the investment funds at amortised cost, is an investment of US$ 5 million in Arabian Real Estate Fund, which Management has determined to be impaired by AED 14,750,000 as at 31 March 2013 (31 December 2012: AED 14,750,000).

Bonds at amortised cost comprise of five-year investment amounting to US$ 2.7 million in Aldar Bonds which bears a fixed interest of 9.1%. Interest is payable semi-annually on 14 May and 14 November.

The geographical distribution of investments is as follows:

	31 March 2013 (unaudited) AED	31 December 2012 (audited) AED
Within UAE	**211,475,070**	197,249,334
Outside UAE	-	-
	211,475,070	197,249,334

7 Investments

7.2 Movement in investments

The movement in the investments is as follows:

	31 March 2013 (unaudited) AED	31 December 2012 (audited) AED
Investments at FVTOCI		
Fair value at start of period/year	**96,252,070**	65,656,343
Additions during the period/year	**-**	24,962,153
Proceeds from disposals during the period/year	**(262,624)**	(1,517,316)
Gain on disposal during the period/year	**40,663**	208,179
Net increase in fair value	**21,161,695**	6,942,711
Fair value at end of period/year	**117,191,804**	96,252,070
Investments at FVTPL		
Fair value at start of period/year	**87,472,864**	50,099,771
Additions during the period/year	**23,207,242**	110,352,122
Proceeds from disposals during the period/year	**(34,957,305)**	(78,807,062)
Gain on disposal during the period/year (note 17)	**2,879,808**	-
Increase in fair value to profit and loss (note 17)	**2,156,257**	5,828,033
Fair value at end of period/year	**80,758,866**	87,472,864
Investments at amortised cost		
Amortised cost at start of period/year	**13,524,400**	21,524,400
Provision for impairment	**-**	(8,000,000)
Amortised cost at end of period/year	**13,524,400**	13,524,400

8 Statutory deposit

In accordance with the requirements of Federal Law No.6/2007, covering insurance companies and agencies, the Company maintains a bank deposit of AED 10,000,000 (31 December 2012: AED 10,000,000) which cannot be utilised without the consent of the U.A.E. Insurance Authority.

Notes to the condensed financial statements for the period ended 31 March 2013 (continued)

9 Insurance contract liabilities and reinsurance contract assets

	31 March 2013 (unaudited) AED	31 December 2012 (audited) AED
Insurance liabilities		
Reported claims	**150,913,930**	130,357,469
Claims incurred but not reported	**3,708,862**	3,751,303
Unearned premiums	**117,020,465**	114,237,297
	271,643,257	248,346,069
Recoverable from reinsurers		
Reported claims	**76,942,797**	73,792,013
Claims incurred but not reported	**1,246,793**	1,289,234
Unearned premiums	**40,394,854**	40,927,051
	118,584,444	116,008,298
Insurance liabilities – net		
Reported claims	**73,971,133**	56,565,456
Claims incurred but not reported	**2,462,069**	2,462,069
Unearned premiums	**76,625,611**	73,310,246
	153,058,813	132,337,771

10 Related parties

Related parties comprise the Directors and major Shareholders of the Company and those entities in which they have the ability to control or exercise significant influence in financial and operational decisions. The Company maintains significant balances with these related parties which arise from commercial transactions as follows:

	Three months ended 31 March	
	2013 (unaudited) AED	2012 (unaudited) AED
Premiums written	**47,835,539**	40,995,698
Claims paid	**10,837,547**	181,465
Directors' remuneration	**750,000**	750,000
Remuneration of key management personnel	**1,952,550**	2,021,352

10 Related parties (continued)

The remuneration of Directors is accrued and paid as an appropriation out of the profits of the period in accordance with the Federal Law No. 8 applicable to Commercial Companies operating in UAE. The remuneration of key management personnel is based on the remuneration agreed in their employment contracts as approved by the Board of Directors.

During the year, management reassessed the accounting treatment on directors remuneration and determined that it should be reflected in profit or loss instead of other comprehensive income. The opening balance of 2012 has not been restated to reflect the directors remuneration of AED 750,000 as the amount is considered immaterial.

11 Trade and other receivables

	31 March 2013 (unaudited) AED	31 December 2012 (audited) AED
Due from external policyholders	**93,844,071**	72,389,895
Due from related party policyholders	**56,198,115**	21,551,759
Less: allowance for doubtful debts	**(7,041,017)**	(7,041,017)
Net due from policyholders	**143,001,169**	86,900,637
Due from insurance companies	**19,286,170**	12,071,763
Due from reinsurance companies	**1,638,493**	1,121,243
Interest receivable	**1,735,764**	2,323,064
Other receivables	**3,152,377**	865,468
	168,813,973	103,282,175

The average credit period on due from policy holders is 90 to 180 days. No interest is charged and no collateral is taken on trade and other receivables.

12 Cash and cash equivalents

	31 March 2013 (unaudited) AED	31 December 2012 (audited) AED
Cash on hand	**18,232**	19,250
Call accounts	**100,798,779**	70,223,236
Term deposits	**103,546,097**	122,900,363
Bank balances and cash	**204,363,108**	193,142,849
Less: deposits with original maturities of greater than three months	**(103,546,097)**	(122,900,363)
	100,817,011	70,242,486

The interest rate on fixed deposits and call accounts with banks ranges between 0.55% and 3% (2012: 0.55% and 3.5%) per annum. All cash and cash equivalents are held in local banks in the United Arab Emirates.

13 Share capital

	31 March 2013 (unaudited) AED	31 December 2012 (audited) AED
Authorised, issued and fully paid		
100,000,000 ordinary shares of AED 1 each	**100,000,000**	100,000,000

At the Annual General Meeting held on 19 March 2013, the Shareholders approved a cash dividend of AED 40,000,000.

14 Legal reserve

In accordance with the UAE Federal Law number (8) of 1984 (as amended) concerning Commercial Companies and the Company's Articles of Association, 10% of annual profit has to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. Transfer for the current period will be made at the end of the financial year.

15 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors. This reserve may be used for such purposes as they deem fit.

16 Trade and other payables

	31 March 2013 (unaudited) AED	31 December 2012 (audited) AED
Due to policy holders	**59,274,723**	18,765,136
Due to insurance companies	**12,583,661**	23,846,969
Due to reinsurance companies	**27,507,562**	42,139,038
Premium reserve withheld	**17,311,685**	14,887,351
Commissions payable	**17,500,000**	17,500,000
Deferred income	**13,033,425**	13,623,897
Directors' remuneration payable (note 10)	**750,000**	3,000,000
Other payables	**10,304,230**	9,299,513
Dividend payable (note 13)	**40,000,000**	-
	198,265,286	143,061,904

The average credit period is 60 to 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within credit time frame.

17 Net investment and other income

	Three months ended 31 March	
	2013 (unaudited) AED	2012 (unaudited) AED
Net rental income on:		
Gross rental income	**1,125,303**	1,064,970
Less: building expenses	**(164,159)**	(205,730)
Net rental income	**961,144**	859,240
Net interest income on bank deposit	**1,004,454**	1,611,801
Net dividend income on investment at FVTPL	**753,798**	311,376
Net dividend income on investment at FVTOCI	**66,150**	-
Impairment loss on investments at amortised cost (note 7.2)	**-**	(2,000,000)
Gain on disposal of investments	**2,879,808**	-
Increase in fair value of investments at FVTPL (note 7.2)	**2,156,257**	2,631,353
Investment expenses	**(73,614)**	(108,097)
Loss on disposal of property and equipment	**(10,270)**	-
Other income	**136,049**	501,553
	7,873,776	3,807,226

18 Profit for the period

Profit for the period is stated after charging:

	Three months ended 31 March	
	2013 (unaudited) AED	2012 (unaudited) AED
Staff costs	**6,127,892**	5,953,907
Depreciation of property and equipment	**146,203**	184,964
Amortisation of intangible assets	**341,014**	334,501
Foreign exchange loss/(gain)	**9,300**	(36,677)

19 Earnings per ordinary share

Earnings per ordinary share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	Three months ended 31 March	
	2013 (unaudited)	2012 (unaudited)
Profit for the period (AED)	**33,055,586**	26,609,802
Weighted average number of ordinary shares in issue throughout the period	**100,000,000**	100,000,000
Basic earnings per share (AED)	**0.33**	0.27

As of 31 March 2013 and 2012, the Company has not issued any instruments that have an impact on earnings per share when exercised.

20 Segment information

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units are managed separately because they require different approach, technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis.

The following summary describes the two main business segments:

- Underwriting of general insurance business – incorporating all classes of general insurance such as fire, marine, motor, medical, general accident and miscellaneous.
- Investments – incorporating investments in marketable equity securities and investment funds, development bonds, term deposits with banks and investment properties and other securities.

Information regarding the Company's reportable segments is presented below:

20 Segment information (continued)

20.1 Segment revenue and results

	As at 31 March 2013 (unaudited)			As at 31 March 2012 (unaudited)		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Direct revenues	**126,753,201**	**5,862,195**	**132,615,396**	119,245,168	3,005,815	122,250,983
Direct costs	**(92,387,509)**	**(270,455)**	**(92,657,964)**	(88,081,634)	(331,495)	(88,413,129)
Administrative expenses	**(7,366,508)**	**-**	**(7,366,508)**	(6,624,914)	-	(6,624,914)
Depreciation expense	**(146,203)**	**-**	**(146,203)**	(184,964)	-	(184,964)
Amortisation expense	**(341,014)**	**-**	**(341,014)**	(334,501)	-	(334,501)
Other expenses	**(1,330,157)**	**-**	**(1,330,157)**	(1,216,579)	-	(1,216,579)
Non-cash investment:						
Gains	**-**	**2,156,257**	**2,156,257**	-	631,353	631,353
Segment profit	**25,181,810**	**7,747,997**	**32,929,807**	22,802,576	3,305,673	26,108,249
Other income	**-**	**-**	**125,779**	-	-	501,553
Profit for the period	**25,181,810**	**7,747,997**	**33,055,586**	22,802,576	3,305,673	26,609,802

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the three-month period ended 31 March 2013 and 2012.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3.

20 Segment information (continued)

20.2 Segment assets and liabilities

	As at 31 March 2013 (unaudited)			As at 31 December 2012 (audited)		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Segment assets	**295,439,433**	**407,021,167**	**702,460,600**	227,440,142	412,149,697	639,589,839
Unallocated assets	-	-	**100,817,011**	-	-	70,242,486
Total assets	**295,439,433**	**407,021,167**	**803,277,611**	227,440,142	412,149,697	709,832,325
Segment liabilities	**430,315,536**	**1,803,165**	**432,118,701**	389,323,731	1,357,628	390,681,359
Unallocated liabilities	-	-	**44,771,463**	-	-	7,021,463
Total liabilities	**430,315,536**	**1,803,165**	**476,890,164**	389,323,731	1,357,628	397,702,822
Capital expenditure	**315,505**	-	**315,505**	1,990,925	-	1,990,925

Notes to the condensed financial statements for the period ended 31 March 2013 (continued)

21 Seasonality of results

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

22 Contingent liabilities

	31 March 2013 (unaudited) AED	31 December 2012 (audited) AED
Bank guarantees	**12,637,705**	14,217,643

The above bank guarantees were issued in the normal course of business.

23 Approval of interim condensed financial statements

The interim condensed financial statements were approved and authorised for issue by the Board of Directors on 5 May 2013.