AL DHAFRA INSURANCE COMPANY P.S.C.

Review report and interim financial information for the period ended 31 March 2014

AL DHAFRA INSURANCE COMPANY P.S.C.

Review report and interim financial information for the period ended 31 March 2014

The Board of Director's Report
for the period ended 31 March 2014

The Board of Directors takes great pleasure in presenting the unaudited results for the first quarter of 2014.

As noted below, net underwriting income increased by 0.46% and profit has increased by 13.45% as compared to the same period of last year.

Particulars	**3 months ended 31 March** **2014 (unaudited) AED**	2013 (unaudited) AED	Variance %
Condensed profit or loss statement			
Gross written premium	**111,560,837**	121,546,113	-8.22%
Net underwriting income	**34,522,258**	34,365,692	0.46%
Administrative and other operating expenses	**8,677,989**	9,183,882	-5.51%
Net investment and other income	**11,656,330**	7,873,776	48.04%
Profit for the period	**37,500,599**	33,055,586	13.45%
Basic and diluted earnings per share (AED)	**0.38**	0.33	

	31 March 2014 (unaudited) AED	31 December 2013 (audited) AED	Variance %
Condensed statement of financial position			
Shareholders' equity	**424,010,146**	401,408,034	5.63%
Total assets	**870,047,670**	820,063,638	6.10%

We expect improvement in the overall investment segment results in the current year compared to 2013.

Chairman
5 May 2014

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

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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 2014 and the related condensed statements of profit or loss, 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 2014

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Condensed statement of financial position as at 31 March 2014

	Notes	31 March 2014 (unaudited) AED	31 December 2013 (audited) AED
ASSETS			
Non-current assets			
Property and equipment		1,602,461	1,168,922
Investment properties	5	82,000,000	82,000,000
Intangible assets	6	4,560,097	4,795,137
Investments designated at fair value through other comprehensive income (FVTOCI)	7	200,362,477	176,456,409
Investments at amortised cost	7	3,610,000	3,610,000
Statutory deposit	8	10,000,000	10,000,000
Total non-current assets		302,135,035	278,030,468
Current assets			
Investments designated at fair value through profit or loss (FVTPL)	7	126,481,276	91,548,315
Investments at amortised cost		9,914,400	9,914,400
Reinsurance contract assets	9	131,972,780	122,854,286
Trade and other receivables	11	108,633,532	109,967,934
Prepayments		2,238,858	1,964,247
Bank balances and cash	12	188,671,789	205,783,988
Total current assets		567,912,635	542,033,170
Total assets		870,047,670	820,063,638
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	100,000,000	100,000,000
Legal reserve	14	50,000,000	50,000,000
General reserve	15	145,000,000	145,000,000
Investment revaluation reserve		8,885,959	(15,632,267)
Retained earnings		120,124,187	122,040,301
Total shareholders' equity		424,010,146	401,408,034
Non-current liability			
Provision for end of service benefit		7,390,355	7,323,179
Current liabilities			
Insurance contract liabilities	9	258,608,732	255,723,360
Trade and other payables	16	180,038,437	155,609,065
Total current liabilities		438,647,169	411,332,425
Total liabilities		446,037,524	418,655,604
Total equity and liabilities		870,047,670	820,063,638

Assistant General Manager - Finance	General Manager	Board Member

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

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

Condensed statement of profit or loss (unaudited) for the period ended 31 March 2014

	Notes	Three months ended 31 March 2014 AED	2013 AED
Gross written premium		**111,560,837**	121,546,113
Change in unearned premium provision		**8,410,617**	(2,783,168)
Premium income earned		**119,971,454**	118,762,945
Reinsurance premium ceded		**(46,588,452)**	(34,361,683)
Change in unearned premium provision		**4,592,485**	(532,197)
Reinsurance ceded		**(41,995,967)**	(34,893,880)
Net premium earned		**77,975,487**	83,869,065
Net claims incurred		**(43,843,862)**	(51,028,638)
Gross commission earned		**5,235,862**	5,207,088
Less: commission incurred		**(4,845,229)**	(3,681,823)
Net commission earned		**390,633**	1,525,265
Net underwriting income		**34,522,258**	34,365,692
Administrative expenses		**(6,101,872)**	(7,366,508)
Other operating expenses		**(2,576,117)**	(1,817,374)
Net investment and other income	17	**11,656,330**	7,873,776
Profit for the period	18	**37,500,599**	33,055,586
Basic and diluted earnings per ordinary share	19	**0.38**	0.33

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

Condensed statement of comprehensive income (unaudited)
for the period ended 31 March 2014

	Notes	Three months ended 31 March 2014 AED	Three months ended 31 March 2013 AED
Profit for the period		**37,500,599**	33,055,586
Other comprehensive income:			
Items not to be reclassified to profit or loss in subsequent period:			
(Loss)/gain on disposal of investments at FVTOCI		**(51,230)**	40,663
Net fair value gain on investments at FVTOCI	7	**25,152,743**	21,161,695
Total other comprehensive income for the period		**25,101,513**	21,202,358
Total comprehensive income for the period		**62,602,112**	54,257,944

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

Condensed statement of changes in equity for the period ended 31 March 2014

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
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
Balance at 1 January 2014 (audited)	100,000,000	50,000,000	145,000,000	(15,632,267)	122,040,301	401,408,034
Profit for the period	-	-	-	-	37,500,599	37,500,599
Other comprehensive income	-	-	-	25,152,743	(51,230)	25,101,513
Total comprehensive income for the period	-	-	-	25,152,743	37,449,369	62,602,112
Dividends (note 13)	-	-	-	-	(40,000,000)	(40,000,000)
Transfer to retained earnings on disposal of Investments at FVTOCI	-	-	-	(634,517)	634,517	-
Balance at 31 March 2014 (unaudited)	100,000,000	50,000,000	145,000,000	8,885,959	120,124,187	424,010,146

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

Condensed statement of cash flows (unaudited)
for the period ended 31 March 2014

	Notes	Three months ended 31 March 2014 AED	2013 AED
Operating activities			
Profit for the period		**37,500,599**	33,055,586
Adjustments for:			
Depreciation of property and equipment		**181,715**	146,203
Amortisation of intangible assets		**433,965**	341,014
Investment income		**(11,582,421)**	(7,747,997)
Loss on disposal of property and equipment	17	**569**	10,270
Net transfer to provision for end of service benefit		**67,176**	686,772
Operating cash flows before movements in working capital		**26,601,603**	26,491,848
Increase in reinsurance contract assets		**(9,118,494)**	(2,576,146)
Increase in insurance contract liabilities		**2,885,372**	23,297,188
Decrease/(increase) in trade and other receivables		**1,227,289**	(64,944,498)
Increase in prepayments		**(274,611)**	(78,229)
(Decrease)/increase in trade and other payables		**(12,570,628)**	18,203,382
Net cash generated by operating activities		**8,750,531**	393,545
Investing activities			
Movement in bank deposits with original maturities of greater than three months		**(20,069,276)**	19,354,266
Interest received		**1,280,428**	417,154
Dividends received	17	**274,396**	819,948
Net rental income on investment properties	17	**912,521**	961,144
Proceeds from disposal of property and equipment		**-**	4,900
Payments for property and equipment		**(615,823)**	(54,079)
Payments for intangible assets		**(198,925)**	(261,426)
Payments for purchase of investment at FVTPL		**(44,729,648)**	(23,207,242)
Proceeds from disposal of investment at FVTPL		**19,120,875**	34,957,305
Proceeds from disposal of investment at FVTOCI		**1,195,445**	262,624
Payment of investment expenses	17	**(101,999)**	(73,614)
Directors' remuneration paid		**(3,000,000)**	(3,000,000)
Net cash (used in)/from investing activities		**(45,932,006)**	30,180,980
(Decrease)/increase in cash and cash equivalents		**(37,181,475)**	30,574,525
Cash and cash equivalents at the beginning of the period		**153,585,141**	70,242,486
Cash and cash equivalents at the end of period	12	**116,403,666**	100,817,011

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

Notes to the condensed financial statements
for the period ended 31 March 2014

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 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 and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Summary of requirements
Amendments to IAS 32 *Financial Instruments: Presentation*	The amendments provide guidance on the offsetting of financial assets and financial liabilities.
Amendments to IAS 36 *Impairment of Assets* relating to recoverable amount disclosures for non-financial assets	The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting*	The amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* - Guidance on Investment Entities	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 objective of this project is to develop an exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead requiring the use of the fair value to measure those investments.
IFRIC 21 Levies	This Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.

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

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

The Company has not yet 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
Annual improvements 2010-2012 covering amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38	1 July 2014
Annual improvements 2011-2013 covering amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40	1 July 2014
Amendment to IAS 19 *Employee Benefits* relating to defined benefit plans and employee contributions	1 July 2014
IFRS 9 *Financial Instruments* (as revised in 2010)	Not earlier than 1 January 2018
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	When IFRS 9 is first applied
Amendments to IAS 39 *Financial Instruments*	When IFRS 9 is first applied

Management anticipates that these amendments will be adopted in the financial statements for the initial period when they become effective. Management has not yet had the opportunity to consider the potential impact of the adoption of these amendments.

2.3 Standards adopted before effective date

During the year 2009, the Company adopted IFRS 9 *Financial Instruments* in advance of its effective date. Refer to note 3 the accounting policies regarding financial instruments.

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*" 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 2013, except for the adoption of new standards and interpretations effective 1 January 2014.

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 (continued)

3.3 Investment in securities (continued)

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.

Notes to the condensed financial statements
for the period ended 31 March 2014 (continued)

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 2013.

5 Investment properties

	Land AED	Abu Dhabi building AED	Al Ain building AED	Total AED
Fair values as at 1 January 2013 and 31 March 2014 (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 million as at 31 December 2013. The fair value of the Company's investment properties as at 31 December 2013 has been arrived at on the basis of a valuation carried out by The Technical and Loss Adjusting Services Co. LLC, an independent valuer not related to the Company. The Technical and Loss Adjusting Services Co. LLC have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach.

Management believes that there has been no significant change to the key assumptions used and accordingly there is no change in the fair value of the investment properties as at 31 March 2014. In estimating the fair value of the properties, the highest and best use of the property is considered as their current use. The inputs used in the valuation are not based on observable market data and thus the valuation techniques were considered to be Level 3 valuation.

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 2013 amounted to AED 45,000,000 and AED 7,935,000, respectively.

The Company occupies three floors of the building for its Head Office in Abu Dhabi with the remaining fourteen floors available for letting to third parties. The Company is utilizing 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.

Notes to the condensed financial statements
for the period ended 31 March 2014 (continued)

7 Investments

7.1 Composition of investments

	31 March 2014 (unaudited) AED	31 December 2013 (audited) AED
Investments at FVTOCI		
Quoted UAE equity securities	**200,362,477**	176,456,409
Investments at FVTPL		
Investment funds	**126,481,276**	91,548,315
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	**9,914,400**	9,914,400
Non-current	**3,610,000**	3,610,000
	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 Investment Trust, which Management has determined to be impaired by AED 14,750,000 as at 31 March 2014 (31 December 2013: 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 10.75% per annum. Interest is payable semi-annually on 14 May and 14 November. The maturity date of the bonds is 25 May 2014.

The geographical distribution of investments is as follows:

	31 March 2014 (unaudited) AED	31 December 2013 (audited) AED
Within UAE	**340,368,153**	281,529,124
Outside UAE	-	-
	340,368,153	281,529,124

Notes to the condensed financial statements for the period ended 31 March 2014 (continued)

7 Investments

7.2 Movement in investments

The movement in the investments is as follows:

	31 March 2014 (unaudited) AED	31 December 2013 (audited) AED
Investments at FVTOCI		
Fair value at start of period/year	**176,456,409**	96,252,070
Proceeds from disposals during the period/year	**(1,195,445)**	(262,624)
Gain on disposal during the period/year	**(51,230)**	40,663
Net increase in fair value	**25,152,743**	80,426,300
Fair value at end of period/year	**200,362,477**	176,456,409
Investments at FVTPL		
Fair value at start of period/year	**91,548,315**	87,472,864
Additions during the period/year	**44,729,648**	82,293,881
Proceeds from disposals during the period/year	**(19,120,875)**	(91,354,381)
Gain on disposal during the period/year (note 17)	**244,384**	2,309,686
Increase in fair value to profit and loss (note 17)	**9,079,804**	10,826,265
Fair value at end of period/year	**126,481,276**	91,548,315
Investments at amortised cost		
Amortised cost at start of period/year	**13,524,400**	13,524,400
Provision for impairment	-	-
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 2013: 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 2014 (continued)

9 Insurance contract liabilities and reinsurance contract assets

	31 March 2014 (unaudited) AED	31 December 2013 (audited) AED
Insurance liabilities		
Reported claims	**147,611,454**	138,534,972
Claims incurred but not reported	**11,002,497**	8,782,990
Unearned premiums	**99,994,781**	108,405,398
	258,608,732	255,723,360
Recoverable from reinsurers		
Reported claims	**81,163,247**	77,826,137
Claims incurred but not reported	**3,083,607**	1,894,708
Unearned premiums	**47,725,926**	43,133,441
	131,972,780	122,854,286
Insurance liabilities – net		
Reported claims	**66,448,207**	60,708,835
Claims incurred but not reported	**7,918,890**	6,888,282
Unearned premiums	**52,268,855**	65,271,957
	126,635,952	132,869,074

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	
	2014 (unaudited) AED	2013 (unaudited) AED
Premiums written	**4,982,793**	47,835,539
Claims paid	**14,468,005**	10,837,547
Directors' remuneration	**750,000**	750,000
Remuneration of key management personnel	**1,964,850**	1,952,550

Notes to the condensed financial statements for the period ended 31 March 2014 (continued)

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.

11 Trade and other receivables

	31 March 2014 (unaudited) AED	31 December 2013 (audited) AED
Due from external policyholders	**84,362,116**	79,201,261
Due from related party policyholders	**18,268,341**	27,324,994
Less: allowance for doubtful debts	**(6,992,119)**	(7,024,364)
Net due from policyholders	**95,638,338**	99,501,891
Due from insurance companies	**5,418,047**	4,953,656
Due from reinsurance companies	**3,614,142**	3,844,939
Interest receivable	**1,049,922**	942,814
Other receivables	**2,913,083**	724,634
	108,633,532	109,967,934

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 2014 (unaudited) AED	31 December 2013 (audited) AED
Cash on hand	**13,085**	14,111
Call accounts	**116,390,581**	153,571,030
Term deposits	**72,268,123**	52,198,847
Bank balances and cash	**188,671,789**	205,783,988
Less: deposits with original maturities of greater than three months	**(72,268,123)**	(52,198,847)
	116,403,666	153,585,141

12 Cash and cash equivalents (continued)

The interest rate on fixed deposits and call accounts with banks ranges between 0.55% and 2.65% (2013: 0.55% and 2.65%) per annum. All cash and cash equivalents are held in local banks in the United Arab Emirates.

13 Share capital

	31 March 2014 (unaudited) AED	31 December 2013 (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 18 March 2014, 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 2014 (unaudited) AED	31 December 2013 (audited) AED
Due to policy holders	**24,568,437**	20,142,390
Due to insurance companies	**20,715,025**	23,616,170
Due to reinsurance companies	**44,960,195**	46,176,803
Premium reserve withheld	**20,111,064**	18,588,938
Commissions payable	**17,500,000**	17,500,000
Deferred income	**3,312,171**	17,521,792
Directors' remuneration payable (note 10)	**750,000**	3,000,000
Other payables	**8,121,545**	9,062,972
Dividend payable	**40,000,000**	-
	180,038,437	155,609,065

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	
	2014	2013
	(unaudited)	(unaudited)
	AED	AED
Net rental income on:		
Gross rental income	**1,029,520**	1,125,303
Less: building expenses	**(116,999)**	(164,159)
Net rental income	**912,521**	961,144
Net interest income on bank deposit	**1,173,315**	1,004,454
Net dividend income on investment at FVTPL	**132,190**	753,798
Net dividend income on investment at FVTOCI	**142,206**	66,150
Gain on disposal of investments	**244,384**	2,879,808
Increase in fair value of investments at FVTPL (note 7.2)	**9,079,804**	2,156,257
Investment expenses	**(101,999)**	(73,614)
Loss on disposal of property and equipment	**(569)**	(10,270)
Other income	**74,478**	136,049
	11,656,330	7,873,776

18 Profit for the period

Profit for the period is stated after charging:

	Three months ended 31 March	
	2014	2013
	(unaudited)	(unaudited)
	AED	AED
Staff costs	**5,657,413**	6,127,892
Depreciation of property and equipment	**181,715**	146,203
Amortisation of intangible assets	**433,965**	341,014
Foreign exchange loss	**8,174**	9,300

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	
	2014	2013
	(unaudited)	(unaudited)
Profit for the period (AED)	**37,500,599**	33,055,586
Weighted average number of ordinary shares in issue throughout the period	**100,000,000**	100,000,000
Basic earnings per share (AED)	**0.38**	0.33

As of 31 March 2014 and 2013, 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 2014 (unaudited)			As at 31 March 2013 (unaudited)		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Direct revenues	**116,796,699**	**2,843,017**	**119,639,716**	126,753,201	5,862,195	132,615,396
Direct costs	**(82,274,441)**	**(185,048)**	**(82,459,489)**	(92,387,509)	(270,455)	(92,657,964)
Administrative expenses	**(6,101,872)**	-	**(6,101,872)**	(7,366,508)	-	(7,366,508)
Depreciation expense	**(181,715)**	-	**(181,715)**	(146,203)	-	(146,203)
Amortisation expense	**(433,965)**	-	**(433,965)**	(341,014)	-	(341,014)
Other expenses	**(1,960,437)**	-	**(1,960,437)**	(1,330,157)	-	(1,330,157)
Non-cash investment:						
Gains	-	**8,924,452**	**8,924,452**	-	2,156,257	2,156,257
Segment profit	**25,844,269**	**11,582,421**	**37,426,690**	25,181,810	7,747,997	32,929,807
Other income	-	-	**73,909**	-	-	125,779
Profit for the period	**25,844,269**	**11,582,421**	**37,500,599**	25,181,810	7,747,997	33,055,586

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 2014 and 2013.

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

Notes to the condensed financial statements
for the period ended 31 March 2014 (continued)

20 Segment information (continued)

20.2 Segment assets and liabilities

	As at 31 March 2014 (unaudited)			As at 31 December 2013 (audited)		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Segment assets	**249,007,728**	**504,636,275**	**753,644,003**	240,750,525	425,727,972	666,478,497
Unallocated assets	-	-	**116,403,667**	-	-	153,585,141
Total assets	**249,007,728**	**504,636,275**	**870,047,670**	240,750,525	425,727,972	820,063,638
Segment liabilities	**399,186,447**	**1,914,790**	**401,101,237**	410,040,966	1,428,353	411,469,319
Unallocated liabilities	-	-	**44,936,287**	-	-	7,186,287
Total liabilities	**399,186,447**	**1,914,790**	**446,037,524**	410,040,966	1,428,353	418,655,606
Capital expenditure	**814,748**	-	**814,748**	1,883,980	-	1,883,980

21 Seasonality of results

No income of seasonal nature was recorded in the statement of profit or loss for the three-month period ended 31 March 2014 and 2013.

22 Fair value of financial instruments

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value 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 (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3** – fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
31 March 2014 (unaudited)				
Investments at FVTOCI	**200,362,477**	-	-	**200,362,477**
Investments at FVTPL	**27,023,128**	-	**99,458,147**	**126,481,276**
	227,385,605	-	**99,458,147**	**326,843,753**

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2013 (audited)				
Investments at FVTOCI	176,456,409	-	-	176,456,409
Investments at FVTPL	-	-	91,548,315	91,548,315
	176,456,409	-	91,548,315	268,004,724

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Notes to the condensed financial statements for the period ended 31 March 2014 (continued)

22 Fair value of financial instruments (continued)

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the period:

	31 March 2014 (unaudited) AED	31 December 2013 (audited) AED
Opening balance	**91,548,315**	76,418,064
Investments purchased during the period/year	**19,736,616**	82,293,881
Investments disposed during the period/year	**(18,876,491)**	(77,989,895)
Net change in fair value	**7,049,707**	10,826,265
Closing balance	**99,458,147**	91,548,315

Set out below is a comparison of the carrying amount and fair values of financial instruments which are not carried at fair value as at 31 March 2014:

	31 March 2014 (unaudited)		31 December 2013 (audited)	
	Fair value AED	Carrying amount AED	Fair value AED	Carrying amount AED
Financial assets				
Statutory deposit	**10,000,000**	**10,000,000**	10,000,000	10,000,000
Investments at amortised cost	**13,524,400**	**13,524,400**	13,524,400	13,524,400
Insurance and other receivables	**108,633,532**	**108,633,532**	109,967,934	109,967,934
Bank and cash	**188,671,789**	**188,671,789**	205,783,988	205,783,988
	320,829,721	**320,829,721**	339,276,322	339,276,322
Financial liabilities				
Insurance and other payables	**180,038,437**	**180,038,437**	155,609,065	155,609,065

23 Contingent liabilities

	31 March 2014 (unaudited) AED	31 December 2013 (audited) AED
Bank guarantees	**12,222,677**	12,027,442

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

24 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 2014.