

United Insurance Company P.S.C.

**Review report and interim financial information
for the six months period ended 30 June 2014**

United Insurance Company P.S.C.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors
United Insurance Company P.S.C.
Ras Al Khaimah
United Arab Emirates**

Introduction

We have reviewed the accompanying condensed statement of financial position of **United Insurance Company P.S.C., Ras Al Khaimah, United Arab Emirates**, as at 30 June 2014 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte & Touche (M.E.)



**Samir Madbak
Registration No. 386
24 July 2014**

**Condensed statement of financial position
at 30 June 2014**

	Notes	30 June 2014 AED Unaudited	31 December 2013 AED Audited
ASSETS			
Non-current assets			
Property and equipment		1,588,427	1,692,612
Investment properties	4	53,010,000	53,010,000
Available-for-sale investments	5.1	42,602,941	33,780,393
Statutory deposit	6	6,000,000	6,000,000
Total non-current assets		103,201,368	94,483,005
Current assets			
Reinsurance contract assets	7	53,155,202	45,669,933
Insurance and other receivables	8	82,075,234	73,184,393
Investments held for trading	5.2	2,395,995	3,638,985
Bank balances and cash	9	88,849,124	98,726,093
Total current assets		226,475,555	221,219,404
Total assets		329,676,923	315,702,409
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	100,000,000	100,000,000
Statutory reserve		28,813,026	28,813,026
General reserve		2,969,044	2,969,044
Investments revaluation reserve		25,844,952	21,787,916
Accumulated losses		(37,801,531)	(14,326,758)
Total equity		119,825,491	139,243,228
Non-current liabilities			
End of service benefits		1,578,951	1,700,567
Current liabilities			
Insurance contract liabilities	7	137,978,528	119,143,259
Insurance and other payables		70,293,953	55,615,355
Total current liabilities		208,272,481	174,758,614
Total liabilities		209,851,432	176,459,181
Total equity and liabilities		329,676,923	315,702,409


.....
Chairman


.....
General Manager

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

**Condensed statement of income (unaudited)
for the six months period ended 30 June 2014**

	Notes	Three months period ended 30 June		Six months period ended 30 June	
		2014 AED	2013 AED	2014 AED	2013 AED
Insurance premium revenue	11	46,426,901	31,191,386	101,123,748	63,128,614
Reinsurance premium ceded	11	(9,295,224)	(9,854,498)	(27,215,905)	(20,476,052)
Net insurance premium revenue	11	37,131,677	21,336,888	73,907,843	42,652,562
Gross claims incurred		(47,758,122)	(24,042,436)	(92,727,918)	(51,307,464)
Insurance claims recovered from re-insurers		7,728,336	4,019,998	11,736,658	11,631,794
Net claims incurred		(40,029,786)	(20,022,438)	(80,991,260)	(39,675,670)
Gross commission earned		3,473,947	2,567,587	11,224,565	8,524,901
Less: commission incurred		(3,680,520)	(2,019,756)	(11,783,417)	(6,022,476)
Net commission (incurred)/earned		(206,573)	547,831	(558,852)	2,502,425
Underwriting (loss)/profit		(3,104,682)	1,862,281	(7,642,269)	5,479,317
General and administrative expenses relating to underwriting activities		(5,721,562)	(4,735,659)	(12,673,014)	(9,422,005)
Sundry income		3,217	857,880	102,963	1,645,279
Net underwriting loss		(8,823,027)	(2,015,498)	(20,212,320)	(2,297,409)
Investment income		1,978,450	7,371,731	4,664,548	10,564,545
Finance costs		-	(20,092)	-	(54,059)
Unallocated general and administrative expenses		(301,135)	(249,467)	(667,001)	(493,161)
(Loss)/profit for the period		(7,145,712)	5,086,674	(16,214,773)	7,719,916
Basic (loss)/earnings per share (AED)	12	(0.074)	0.051	(0.165)	0.077

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

**Condensed statement of comprehensive income (unaudited)
for the six months period ended 30 June 2014**

	Three months period ended 30 June		Six months period ended 30 June	
	2014 AED	2013 AED	2014 AED	2013 AED
(Loss)/profit for the period	<u>(7,145,712)</u>	<u>5,086,674</u>	<u>(16,214,773)</u>	<u>7,719,916</u>
Other comprehensive (loss)/income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net (loss)/gain on revaluation of available-for-sale investments	(2,003,630)	4,931,383	4,057,036	10,092,937
<i>Transfer to profit or loss:</i>				
Transfer to condensed statement of income on sale of available-for-sale investments	-	(704,596)	-	(735,867)
Total other comprehensive(loss)/ income for the period	<u>(2,003,630)</u>	<u>4,226,787</u>	<u>4,057,036</u>	<u>9,357,070</u>
Total comprehensive (loss)/income for the period	<u><u>(9,149,342)</u></u>	<u><u>9,313,461</u></u>	<u><u>(12,157,737)</u></u>	<u><u>17,076,986</u></u>

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

**Condensed statement of changes in equity
for the six months period ended 30 June 2014**

	Share capital AED	Statutory reserve AED	General reserve AED	Investment revaluation reserve AED	Accumulated losses AED	Total AED
Balance at 31 December 2012 (audited)	100,000,000	27,968,564	2,969,044	7,822,840	(21,926,920)	116,833,528
Profit for the period	-	-	-	-	7,719,916	7,719,916
Other comprehensive income for the period	-	-	-	9,357,070	-	9,357,070
Total comprehensive income for the period	-	-	-	9,357,070	7,719,916	17,076,986
Balance at 30 June 2013 (unaudited)	100,000,000	27,968,564	2,969,044	17,179,910	(14,207,004)	133,910,514
Balance at 31 December 2013 (audited)	100,000,000	28,813,026	2,969,044	21,787,916	(14,326,758)	139,243,228
Loss for the period	-	-	-	-	(16,214,773)	(16,214,773)
Other comprehensive income for the period	-	-	-	4,057,036	-	4,057,036
Total comprehensive income/(loss) for the period	-	-	-	4,057,036	-	4,057,036
Dividend paid (Note 15)	-	-	-	-	(7,000,000)	(7,000,000)
Director's fee paid during the period	-	-	-	-	(260,000)	(260,000)
Balance at 30 June 2014 (unaudited)	100,000,000	28,813,026	2,969,044	25,844,952	(37,801,531)	119,825,491

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

**Condensed statement of cash flows (unaudited)
for the six months period ended 30 June 2014**

	Six months period ended	
	30 June	
	2014	2013
	AED	AED
Cash flows from operating activities		
(Loss)/profit for the period	(16,214,773)	7,719,916
Adjustments for:		
Investment income	(4,664,548)	(10,564,545)
Finance costs	-	54,059
Allowance for doubtful debts	-	51,999
Depreciation of property and equipment	314,756	275,187
Provision for employees' end of service indemnity	183,253	309,003
Operating cash flows before changes in operating assets and liabilities	(20,381,312)	(2,154,381)
Increase in reinsurance contract assets	(7,485,269)	(1,565,503)
Increase in reinsurance contract liabilities	18,835,269	2,196,693
Increase in insurance and other receivables	(8,890,840)	(15,024,275)
Increase/(decrease) in insurance and other payables	14,678,598	(57,651)
Cash used in operations	(3,243,554)	(16,605,117)
Interest paid	-	(54,059)
Employees' end of service indemnity paid	(304,869)	(154,817)
Net cash used in operating activities	(3,548,423)	(16,813,993)
Cash flows from investing activities		
Increase in fixed deposits	(698,812)	(932,261)
Purchase of property and equipment	(210,572)	(153,396)
Proceeds on disposal of investment properties	-	21,079,990
Purchase of investments held for trading	-	(148,885)
Proceeds on disposal of investments held for trading	1,429,019	17,625,601
Proceeds on disposal of available-for-sale investments	-	7,910,882
Purchase of available-for-sale investments	(4,765,512)	(3,737,204)
Interest received	478,076	419,582
Income from investment properties received	1,384,382	2,053,455
Dividend received	2,616,061	3,447,503
Net cash generated from investing activities	232,642	47,565,267
Cash flows from financing activities		
Repayment of bank loan	-	(2,727,738)
Directors' fee paid	(260,000)	-
Dividends paid	(7,000,000)	-
Net cash used in financing activities	(7,260,000)	(2,727,738)
Net (decrease)/increase in cash and cash equivalents	(10,575,781)	28,023,536
Cash and cash equivalents at the beginning of the period	79,662,839	17,636,598
Cash and cash equivalents at the end of the period (Note 13)	69,087,058	45,660,134

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

**Notes to the condensed financial statements
for the six months period ended 30 June 2014**

1. General information

United Insurance Company P.S.C. - Ras Al Khaimah (the "Company") is a public shareholding company, registered in the Emirate of Ras Al Khaimah by Emiri decree No. 13/76 issued by H.H. Sheikh Saqr Bin Mohammed Al Qasimi on 15 June 1976, which was amended by Emiri decree No. 10/77 issued on 15 December 1977. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, concerning formation of Insurance Authority of U.A.E., and is registered in the Insurance Companies Register of Insurance Authority of U.A.E. under registration number 8.

The Company is domiciled in the United Arab Emirates and the address of the Company's registered office is P. O. Box 1010, Ras Al Khaimah, United Arab Emirates.

The Company's ordinary shares are listed on Abu Dhabi Securities Exchange, United Arab Emirates.

The principal activity of the Company is the writing of all classes of general insurance other than life assurance. The Company operates through its head office in Ras Al Khaimah and branch offices in Dubai, Abu Dhabi and Sharjah.

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 financial statements

The following new and revised IFRSs have been adopted in these condensed financial statements. The application of these revised and new 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.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<ul style="list-style-type: none"> Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities. 	1 January 2014
<ul style="list-style-type: none"> Amendments to IAS 36 recoverable amount disclosures <p>The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the 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.</p>	1 January 2014
<ul style="list-style-type: none"> Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting <p>The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.</p>	1 January 2014

**Notes to the condensed financial statements
for the six months period ended 30 June 2014 (continued)**

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 financial statements (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<ul style="list-style-type: none"> • IFRIC 21 - Levies: 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. 	1 January 2014
<ul style="list-style-type: none"> • Amendments to IFRS 10, IFRS 12 and IAS 27 – 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 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. 	1 January 2014

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<ul style="list-style-type: none"> • Amendments to IFRS 7 <i>Financial Instruments</i>: Disclosures relating to disclosures about the initial application of IFRS 9. 	When IFRS 9 is first applied
<ul style="list-style-type: none"> • IFRS 7 <i>Financial Instruments</i>: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. 	When IFRS 9 is first applied
<ul style="list-style-type: none"> • IFRS 9 <i>Financial Instruments (2009)</i> issued in November 2009 introduces new requirements for the classification and measurement of financial assets. <i>IFRS 9 Financial Instruments (2010)</i> revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. 	1 January 2018

**Notes to the condensed financial statements
for the six months period ended 30 June 2014 (continued)**

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

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

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

IFRS 9 *Financial Instruments (2013)* was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.

IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets (2) the classification and measurement requirements for both financial assets and financial liabilities (3) the classification and measurement requirements and the hedge accounting requirements.

- Amendments to IAS 19 *Employee Benefits* - to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. 1 July 2014
- Annual Improvements to IFRSs 2010 - 2012 Cycle 1 July 2014
 - IFRS 2 Share Based Payments - definition of 'vesting condition'.
 - IFRS 3 Business Combinations - accounting for contingent consideration.
 - IFRS 8 Operating Segments - aggregation of segments, reconciliation of segment assets.
 - IAS 16 Property Plant and Equipment - proportionate restatement of accumulated depreciation on revaluation.
 - IAS 24 Related Party Disclosures - management entities.
 - IAS 38 Intangible Assets - proportionate restatement of accumulated depreciation on revaluation.
- Annual Improvements to IFRSs 2011 - 2013 Cycle 1 July 2014
 - IFRS 1 First Time Adoption of International Financial Reporting Standards - meaning of effective IFRSs.
 - IFRS 3 Business Combinations - scope exception for joint ventures.
 - IFRS 13 Fair Value Measurement - scope of the portfolio exception.
 - IAS 40 Investment Property - interrelationship between IFRS 3 and IAS 40.
- IFRS 14 Regulatory Deferral Accounts 1 January 2016
- IFRS 15 *Revenue from Contracts with Customers* 1 January 2017

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2015 or as and when they are applicable and except for IFRS 9 adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

**Notes to the condensed financial statements
for the six months period ended 30 June 2014 (continued)**

3. Summary of significant accounting policies

Basis of preparation

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

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

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

The accounting policies, critical accounting judgements and key sources of estimation used in the preparation of these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2013.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements as at and for the year ended 31 December 2013. In addition, results for the six months period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The Company’s insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements for the year ended 31 December 2013.

4. Investment properties

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

Investment properties are stated at fair value, which has been principally determined based on valuations performed by management at the end of the year. Fair value represents the amounts at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm’s length transaction at the date of the valuation. Valuations are performed on a periodic basis, at least annually, and the fair value gains and losses are recorded in the profit or loss.

The fair value of the Group’s investment properties is based on unobservable inputs i.e. level 3.

5. Investment in securities

5.1 Available-for-sale investments

Available-for-sale investments comprise the following:

	30 June 2014 AED Unaudited	31 December 2013 AED Audited
Within U.A.E.	40,081,744	31,465,139
Outside U.A.E.	2,521,197	2,315,254
	42,602,941	33,780,393

**Notes to the condensed financial statements
for the six months period ended 30 June 2014 (continued)**

5. Investment in securities

5.2 Investments held for trading

Investments held for trading comprise the following:

	30 June 2014 AED Unaudited	31 December 2013 AED Audited
Within U.A.E.	10,000	1,220,619
Outside U.A.E.	2,385,995	2,418,366
	<u>2,395,995</u>	<u>3,638,985</u>

6. Statutory deposit

Statutory deposit is maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of U.A.E. and is not available to finance the day to day operations of the Company.

7. Insurance contract liabilities and re-insurance contract assets

	30 June 2014 AED Unaudited	31 December 2013 AED Audited
<i>Insurance contract liabilities:</i>		
Claims reported unsettled	36,847,912	33,027,412
Claims incurred but not reported	5,048,688	5,307,648
Unearned premiums	96,081,928	80,808,199
	<u>137,978,528</u>	<u>119,143,259</u>
<i>Recoverable from reinsurers</i>		
Claims reported unsettled	17,018,638	23,286,998
Claims incurred but not reported	1,219,737	1,346,383
Unearned premiums	34,916,827	21,036,552
	<u>53,155,202</u>	<u>45,669,933</u>
<i>Insurance contract liabilities - net</i>		
Claims reported unsettled	19,829,274	9,740,414
Claims incurred but not reported	3,828,951	3,961,265
Unearned premiums	61,165,101	59,771,647
	<u>84,823,326</u>	<u>73,473,326</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2014 (continued)**

8. Insurance and other receivables

	30 June 2014 AED Unaudited	31 December 2013 AED Audited
<i>Receivables arising from insurance and re-insurance contracts</i>		
Due from policyholders	79,144,742	74,088,116
Allowance for doubtful debts	(18,931,527)	(18,931,527)
	60,213,215	55,156,589
Due from insurance companies	7,275,771	7,502,998
Due from re-insurance companies	11,197,371	7,796,063
<i>Other receivables</i>		
Advance to suppliers	927,672	462,175
Prepayments and others	2,461,205	2,266,568
	82,075,234	73,184,393

9. Bank balances and cash

	30 June 2014 AED Unaudited	31 December 2013 AED Audited
Cash on hand	16,500	16,500
Bank balances:		
Current accounts	11,256,196	19,207,345
Call accounts	27,761,153	30,421,289
Fixed deposits	49,815,275	49,080,959
	88,849,124	98,726,093

Bank balances are maintained with banks in U.A.E. The annual interest rate on fixed deposits ranges from 0.7% to 2.75% (31 December 2013: ranges from 0.7% to 3.8%).

10. Share capital

At 30 June 2014, the issued and fully paid share capital comprised 100,000,000 shares of AED 1 each (31 December 2013: 100,000,000 shares of AED 1 each).

**Notes to the condensed financial statements
for the six months period ended 30 June 2014 (continued)**

11. Net insurance premium revenue

	Three months period ended 30 June		Six months period ended 30 June	
	2014	2013	2014	2013
	AED Unaudited	AED Unaudited	AED Unaudited	AED Unaudited
<i>Gross premium written</i>				
Gross premium written	37,674,583	30,385,502	116,397,477	74,287,219
Change in unearned premium	8,752,318	805,884	(15,273,729)	(11,158,605)
	<u>46,426,901</u>	<u>31,191,386</u>	<u>101,123,748</u>	<u>63,128,614</u>
<i>Reinsurance premium ceded</i>				
Reinsurance premium ceded	(11,950,207)	(8,168,438)	(41,096,180)	(24,886,014)
Change in unearned premium	2,654,983	(1,686,060)	13,880,275	4,409,962
	<u>(9,295,224)</u>	<u>(9,854,498)</u>	<u>(27,215,905)</u>	<u>(20,476,052)</u>
Net insurance premium revenue	<u><u>37,131,677</u></u>	<u><u>21,336,888</u></u>	<u><u>73,907,843</u></u>	<u><u>42,652,562</u></u>

12. Basic (loss)/earnings per share

	Three months period ended 30 June		Six months period ended 30 June	
	2014	2013	2014	2013
	AED Unaudited	AED Unaudited	AED Unaudited	AED Unaudited
(Loss)/profit for the period (in AED)	(7,145,712)	5,086,674	(16,214,773)	7,719,916
Less: Directors' fee paid	(260,000)	-	(260,000)	-
Adjusted (loss)/profit for the period	<u><u>(7,405,712)</u></u>	<u><u>5,086,674</u></u>	<u><u>(16,474,773)</u></u>	<u><u>7,719,916</u></u>
Number of shares	<u><u>100,000,000</u></u>	<u><u>100,000,000</u></u>	<u><u>100,000,000</u></u>	<u><u>100,000,000</u></u>
Basic (loss)/earnings per share (in AED)	<u><u>(0.074)</u></u>	<u><u>0.051</u></u>	<u><u>(0.165)</u></u>	<u><u>0.077</u></u>

Basic (loss)/earnings per share have been calculated by dividing the (loss)/profit for the period by the number of shares outstanding at the end of the reporting period.

13. Cash and cash equivalents

	Six months period ended 30 June	
	2014	2013
	AED Unaudited	AED Unaudited
Bank balances and cash	88,849,124	64,723,388
Fixed deposits with original maturity over three months	(19,762,066)	(19,063,254)
	<u><u>69,087,058</u></u>	<u><u>45,660,134</u></u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2014 (continued)**

14. Contingent liabilities

	30 June 2014 AED Unaudited	31 December 2013 AED Audited
Letters of guarantee	4,812,000	6,441,553

15. Dividends

During the period, the annual general meeting held on 20 March 2014, the shareholders approved a cash dividend distribution of 7% amounting to AED 7 million (AED 7 Fils per share) for the year ended 31 December 2013 (for the year ended 31 December 2012: Nil) and also approved the remuneration for the Board of Directors of AED 260,000 (for the year ended 31 December 2012: Nil).

16. Related party transactions

The Company 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, their partners and key management personnel. The management decides on the terms and conditions of the transactions with related parties. At the reporting date, amounts due from/to related parties were included in the following accounts.

At the reporting date, due from/to related parties were as follows:

	30 June 2014 Unaudited AED	31 December 2013 Audited AED
Due from policyholders	9,231,983	7,099,531
Due to policyholders	56,822	56,822

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

Transactions:

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

	Three months period ended 30 June		Six months period ended 30 June	
	2014 Unaudited	2013 Unaudited	2014 Unaudited	2013 Unaudited
Gross premium	2,233,416	4,150,298	10,850,908	9,808,163
Claims paid	2,424,323	2,825,505	5,035,763	4,020,342
Remuneration of key management personnel	285,000	360,000	570,000	669,370
Board of directors' remuneration	-	-	260,000	-

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

**Notes to the condensed financial statements
for the six months period ended 30 June 2014 (continued)**

17. Segment information

For management purposes, the Company is organised into two business segments, general insurance and investments.

The general insurance segment comprises property, fire, marine, motor, medical, general accident and miscellaneous risks.

Investment comprises investments held for trading, AFS investments, investment properties and fixed deposits. Finance costs for the loan obtained for purchasing the investment property is reduced from investment income.

These segments are the basis on which the Company reports its primary segment information to the Chief Operating Decision Maker.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3 to the annual audited financial statements of the Company.

Notes to the condensed financial statements
for the six months period ended 30 June 2014 (continued)

17. Segment information (continued)

	Six months period ended 30 June 2014			Six months period ended 30 June 2013		
	Underwriting Unaudited AED	Investments Unaudited AED	Total Unaudited AED	Underwriting Unaudited AED	Investments Unaudited AED	Total Unaudited AED
Segment revenue - Gross	116,397,477	-	116,397,477	74,287,219	-	74,287,219
Segment result	(20,212,320)	4,664,548	(15,547,772)	(2,297,409)	10,510,486	8,213,077
Unallocated costs (net)			(667,001)			(493,161)
(Loss)/profit for the period			(16,214,773)			7,719,916
	As at 30 June 2014			As at 31 December 2013		
	Underwriting Unaudited AED	Investments Unaudited AED	Total Unaudited AED	Underwriting Unaudited AED	Investments Unaudited AED	Total Unaudited AED
Segment assets	141,230,436	147,824,211	289,054,647	124,854,326	139,510,337	264,364,663
Unallocated assets			40,622,276			51,337,746
Total assets			329,676,923			315,702,409
Segment liabilities	208,272,478	-	208,272,478	174,758,614	-	174,758,614
Unallocated liabilities			1,578,954			1,700,567
Total liabilities			209,851,432			176,459,181

There are no inter-segment transactions.

**Notes to the condensed financial statements
for the six months period ended 30 June 2014 (continued)**

17. Segment information (continued)

Revenue from underwriting departments

The following is an analysis of the Company's revenues classified by major underwriting departments:

	Three months period ended		Six months period ended	
	30 June		30 June	
	2014	2013	2014	2013
	AED	AED	AED	AED
	Unaudited	Unaudited	Unaudited	Unaudited
Motor	28,859,356	17,835,325	74,228,010	35,049,337
Marine	1,153,760	902,156	2,150,152	1,844,548
Medical	4,107,882	4,995,884	20,354,924	21,814,307
Fire	3,096,074	2,754,526	9,446,641	7,613,205
Engineering, property, general accidents and others	457,511	3,897,611	10,217,750	7,965,822
	<u>37,674,583</u>	<u>30,385,502</u>	<u>116,397,477</u>	<u>74,287,219</u>

18. Seasonality of results

Investment income includes dividend income of AED 2,616,061 (2013: AED 3,447,503), which is of a seasonal nature.

19. 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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

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

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2013.

**Notes to the condensed financial statements
for the six months period ended 30 June 2014 (continued)**

19. Fair value of financial instruments (continued)

Fair value measurements recognised in the 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); and
- 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).

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
30 June 2014 (Unaudited)				
<i>AFS investments</i>				
Quoted investments	42,602,941	-	-	42,602,941
<i>Investment held for trading</i>				
Unquoted investments	-	-	2,395,995	2,395,995
	<u>42,602,941</u>		<u>2,395,995</u>	<u>44,998,936</u>
31 December 2013 (Audited)				
<i>AFS investments</i>				
Quoted investments	33,780,393	-	-	33,780,393
Investment held for trading				
Unquoted investments	-	-	3,638,985	3,638,985
	<u>33,780,393</u>		<u>3,638,985</u>	<u>37,419,378</u>

There were no transfers between each of level during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

Reconciliation of Level 3 fair value measurement of financial assets measured at fair value:

	30 June 2014 AED	31 December 2013 AED
Opening balance	3,638,985	24,408,797
Additions during the period/year	-	148,885
Disposal during the period/year	(1,243,345)	(21,433,531)
Fair value adjustment	355	514,834
	<u>2,395,995</u>	<u>3,638,985</u>

20. Approval of the condensed financial statements

The condensed financial statements were approved by the Management and authorised for issue on 24 July 2014.