AL KHAZNA INSURANCE COMPANY P.S.C.

Reports and consolidated financial statements for the year ended 31 December 2013

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for the year ended 31 December 2013

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Report of the Board of Directors
for the year ended 31 December 2013

The Board of Directors of Al Khazna Insurance Company PSC has the pleasure to present the Annual Board of Directors report and the audited consolidated financial statements for the year ended 31 December 2013.

Presented below are the technical and financial results of the Group:

1. Insurance activities:

The profit decreased from AED 11.9 million in 2012 to a loss of AED 162.8 million in 2013.

Gross written premium decreased from AED 139.7 million in 2012 to AED 95.4 million in 2013.

The claims paid have registered a significant decline from AED 80.9 million in 2012 to AED 66.9 million in 2013.The claims incurred decreased from AED 54.8 million in 2012 to AED 42.5 million in 2013.

Net underwriting results before operating expenses registered a decrease from AED 28.9 million in 2012 to AED 16.4 million in 2013.

2. Investment activity:

There was no change in the investment portfolio in 2013.The portfolio is comprised of long term investments in properties and investments in the securities market listed shares as well as unlisted shares.

The investment portfolio is broadly consistent with the prior year. The investment activities resulted in a loss of AED 127 million in 2013 compared to gain of AED 44 million in 2012. Other income and expenses resulted in a net loss of AED 16.5 million in 2013 as compared to AED 16.5 million in 2012.

3. Marketing and Administrative expenses:

Marketing and administrative expenses decreased from AED 44.2 million in 2012 to AED 35.2 million in 2013.

4. Loss for the year:

The Group has a loss amounting to AED 162.8 million in 2013 compared to a profit of AED 11.9 million in 2012.

Report of the Board of Directors
for the year ended 31 December 2013

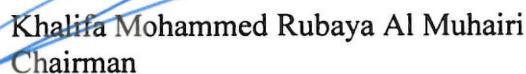
5. Board of Directors suggestions:

The Board of Directors suggests that the shareholders undertake the following:

- Approve and endorse the financial statements and the accounts of profit and loss for the year ended in 31.12.2013
- To Hire or rehire the external auditor for the year 2014 and agree on their fees.

Finally the Board of Directors would like to extend its sincere thanks and gratitude to H.H. Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates and Ruler of the Emirate of Abu Dhabi, H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of UAE and Ruler of Dubai, H.H. Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi, and the Rulers of all the other Emirates for their wise leadership and support. We would like to also thank the Securities and Commodities Authority, the Abu Dhabi Stock Market and the Insurance Authority for their continuous support.

The Board would like also to express its high appreciation to the Company's Shareholders, corporate and individual customers, reinsurers, brokers and the Company's external auditors for their constant trust and continuous support in addition to the Company's Management team and staff for their sincere efforts and dedication.



Khalifa Mohammed Rubaya Al Muhairi
Chairman

26 March 2014

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Al Khazna Insurance Company P.S.C.
Abu Dhabi, UAE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Khazna Insurance Company P.S.C. ("the Company") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as of 31 December 2013 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Basis for qualified opinion

1. As disclosed in notes 4 and 6, all of the Group's investment properties were revalued by another valuation expert and their fair value was determined to be AED 330.8 million as at 31 December 2013. The impact of this change in fair value estimate as at 31 December 2013 resulted in a decrease in investment properties by AED 129.5 million compared to their carrying amount as of 31 December 2012 with the corresponding loss recognised in the consolidated statement of profit or loss for year ended 31 December 2013. Management did not complete its assessment on whether the full fair value loss relates to the current year or prior years. As there is no sufficient evidence available at the date of this report, we were unable to determine whether the comparative figures presented should be restated. Accordingly, we were unable to satisfy ourselves that the fair value loss amounting to AED 129.5 million recorded in the consolidated statement of profit or loss for the year ended 31 December 2013 is fairly stated nor whether the Group's net equity and carrying amount of investment properties as at 31 December 2012, the profit for the year ended 31 December 2012 and opening retained earnings as at 1 January 2012 are fairly stated.

2. As disclosed in note 10, Insurance and other receivables include a balance of prepaid rent of AED 14.2 million (31 December 2012: AED 18.9 million) relating to a leased building which management intends to use for a university project. The future economic benefits from the leased property will flow to the Group only if the university project materialises. At the date of this report, the project status and documentation in place do not provide sufficient evidence that future economic benefits will probably flow to the Group. Accordingly, we were unable to satisfy ourselves that the prepaid rent reflected in the accompanying consolidated statement of financial position is fairly stated.

Qualified opinion

In our opinion, except for the effect of the matters described in the basis for qualified opinion paragraph above, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the fact, as explained in Note 18 to the consolidated financial statements, that the Group has been granted a bank facility which currently has a carrying amount of AED 188.8 million, for which the Group is disputing the interest charged by the Bank since 2009. The dispute has arisen as the Bank changed the interest charged on the facility to a rate higher than that stipulated in the loan agreement. The excess interest charged up to 31 December 2013 is approximately AED 15.9 million. This has not been recorded by the Group as a finance cost. The Group is currently in negotiations with the Bank to adjust the interest being charged on the bank loan; however no formal consent has been obtained from the Bank. Thus, the final outcome of the matter cannot presently be determined.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

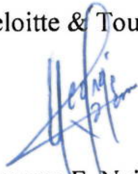
Other Matter

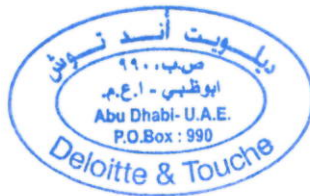
The Group's consolidated financial statements for the year ended 31 December 2012 were audited by another auditor whose report dated 31 March 2013 expressed a qualified audit opinion in relation with the prepaid rent described in the basis for qualified conclusion paragraph above.

Report on other legal and regulatory requirements

Also, in our opinion, proper books of account are maintained by the Company, and the information included in the Board of Directors' report is in agreement with the books of account. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended), UAE Federal Law No. (6) of 2007 concerning the establishment of the Insurance Authority and organisation of its operations or the Articles of Association of the Company which might have a material effect on the financial position of the Group or on the results of its operations for the year.

Deloitte & Touche (M.E.)





Georges F. Najem
Registration Number 809
26 March 2014

Consolidated statement of financial position as at 31 December 2013

	Notes	2013 AED	2012 AED
ASSETS			
Property and equipment	5	6,832,319	8,317,477
Investment properties	6	330,764,000	460,240,400
Investments in securities:			
- Available-for-sale (AFS) investments	7	76,905,209	63,701,643
- Investments designated at fair value through profit or loss (FVTPL)	7	265,604,878	282,359,551
Statutory deposit	8	10,000,000	10,000,000
Re-insurance contract assets	9	80,562,263	85,869,186
Insurance and other receivables	10	77,642,321	93,098,600
Prepayments		992,427	1,128,142
Deferred acquisition costs		1,140,225	1,445,767
Term deposits		1,738,020	1,692,500
Bank and cash	11	30,178,380	41,065,532
Total assets		882,360,042	1,048,918,798
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	420,000,000	410,000,000
Share premium		1,788,422	1,785,315
Legal reserve	13	62,145,349	62,145,349
Regulatory reserve	14	60,103,225	60,103,225
Fair value reserve		31,859,418	18,161,686
Revaluation reserve		11,736,841	11,736,841
(Accumulated losses)/retained earnings		(108,997,170)	63,869,119
Total capital and reserves		478,636,085	627,801,535
LIABILITIES			
Provision for end of service benefit	16	4,024,237	3,765,749
Insurance contract liabilities	9	116,676,651	143,798,901
Insurance and other payables	17	84,709,351	81,979,590
Bank borrowings	18	188,811,730	176,498,096
Re-insurance deposit retained		4,250,820	6,556,438
Unearned reinsurance commission		2,584,337	2,783,948
Accruals and deferred income		2,666,831	5,734,541
Total liabilities		403,723,957	421,117,263
Total equity and liabilities		882,360,042	1,048,918,798

Chairman

Director

Chief Financial Officer

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

Consolidated statement of profit or loss for the year ended 31 December 2013

	Notes	2013 AED	2012 AED
Gross premiums written		95,417,609	139,655,621
Change in unearned premium provision		2,675,060	67,372
Premium income earned		98,092,669	139,722,993
Reinsurance premium ceded		(58,852,924)	(59,925,631)
Change in unearned premium provision		2,340,052	(2,725,864)
Reinsurance ceded		(56,512,872)	(62,651,495)
Net premium earned		41,579,797	77,071,498
Gross claims paid		(66,993,122)	(80,927,943)
Change in outstanding claims provision		24,447,190	26,046,316
Gross claims incurred		(42,545,932)	(54,881,627)
Reinsurance share of claims paid		21,245,326	33,114,203
Change in reinsurance share of outstanding claims		(7,646,975)	(28,973,211)
Reinsurance share of claims incurred		13,598,351	4,140,992
Net claims incurred		(28,947,581)	(50,740,635)
Commission expenses - net		(2,476,222)	(4,826,753)
Commission income		6,274,696	7,414,303
Operating expenses	20	(35,232,916)	(44,223,970)
Net underwriting loss		(18,802,226)	(15,305,557)
Net investment (loss)/income	21	(127,482,663)	43,750,346
Other expenses	20	(4,720,458)	(5,014,801)
Finance costs - net		(15,530,987)	(12,673,248)
Loss on disposal of subsidiaries	22	(337,810)	-
Other income - net		4,007,855	1,153,435
(Loss)/profit for the year attributable to equity holders of the parent company	23	(162,866,289)	11,910,175
Basic and diluted (loss)/earnings per share	24	(0.388)	0.028

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

Consolidated statement of comprehensive income for the year ended 31 December 2013

	2013 AED	2012 AED
(Loss)/profit for the year	**(162,866,289)**	11,910,175
Other comprehensive income/(loss):		
Items that will be reclassified subsequently to profit or loss:		
Net fair value gain on available-for-sale investments	**13,697,732**	1,717,478
Other comprehensive income for the year	**13,697,732**	1,717,478
Total comprehensive (loss)/income for the year	**(149,168,557)**	13,627,653
Attributable to:		
Equity holders of the Parent Company	**(149,168,557)**	13,627,653

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

Consolidated statement of changes in equity for the year ended 31 December 2013

	Share capital AED	Share premium AED	Legal reserve AED	Regulatory reserve AED	Revaluation reserves AED	Retained earnings AED	Attributable to the equity holders of the company AED
Balance at 1 January 2012	400,000,000	1,783,412	60,106,478	58,064,354	28,181,049	66,036,686	614,171,979
Profit for the year	-	-	-	-	-	11,910,175	11,910,175
Other comprehensive income	-	-	-	-	1,717,478	-	1,717,478
Total comprehensive income for the year	-	-	-	-	1,717,478	11,910,175	13,627,653
Dividends distribution through issuance of bonus shares	10,000,000	1,903	-	-	-	(10,000,000)	1,903
Transfer to legal reserve	-	-	2,038,871	-	-	(2,038,871)	-
Transfer to regulatory reserve	-	-	-	2,038,871	-	(2,038,871)	-
Balance at 1 January 2013	410,000,000	1,785,315	62,145,349	60,103,225	29,898,527	63,869,119	627,801,535
Loss for the year	-	-	-	-	-	(162,866,289)	(162,866,289)
Other comprehensive income	-	-	-	-	13,697,732	-	13,697,732
Total comprehensive loss for the year	-	-	-	-	13,697,732	(162,866,289)	(149,168,557)
Dividends distribution through issuance of bonus shares (note 12)	10,000,000	3,107	-	-	-	(10,000,000)	3,107
Balance at 31 December 2013	**420,000,000**	**1,788,422**	**62,145,349**	**60,103,225**	**43,596,259**	**(108,997,170)**	**478,636,085**

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

Consolidated statement of cash flows for the year ended 31 December 2013

	2013 AED	2012 AED
Cash flows from operating activities		
(Loss)/profit for the year	**(162,866,289)**	11,910,175
Adjustments for:		
Depreciation of property and equipment	**1,424,644**	1,788,866
Net fair value loss on investment properties	**129,476,400**	12,404,424
Impairment on AFS investments	**494,166**	1,103,219
Net fair value loss/(gain) on investments at FVTPL	**16,754,673**	(33,580,887)
Loss on disposal of investments at FVTPL	-	91,832
Dividends from investments in securities	**(11,880,577)**	(11,908,480)
Interest income	**(130,046)**	(134,025)
Finance costs – net of reversals	**15,530,987**	12,673,248
Loss on disposal of property, plant and equipment	**7,596**	(645)
Loss on disposal of subsidiaries	**337,810**	-
Allowance for doubtful debts	**4,517,346**	5,572,156
Provision for employees' end of service benefit	**1,083,334**	1,013,452
Cash flow (used in)/generated from operating activities before movement in working capital	**(5,249,956)**	933,335
Net movement in deferred acquisition costs	**305,542**	158,339
Net movement in reinsurance contract assets	**5,306,923**	37,144,142
Net movement in insurance contract liabilities	**(27,122,250)**	(26,113,688)
Net movement in unearned reinsurance commissions	**(199,611)**	(442,229)
Decrease in insurance and other receivables	**10,929,395**	14,339,363
Decrease in prepayments	**135,715**	1,195,947
Increase/(decrease) in insurance and other payables	**2,199,306**	(11,135,644)
Decrease in reinsurance deposit retained	**(2,305,618)**	(2,473,185)
(Decrease)/increase in accruals and deferred income	**(3,067,710)**	290,440
Proceeds from disposal of investments at FVTPL	-	57,286
Cash (used in)/generated by operating activities	**(19,068,264)**	13,954,106
Employees' end of service benefit paid	**(824,846)**	(273,021)
Net cash (used in)/generated by operating activities	**(19,893,110)**	13,681,085
Cash flows from investing activities		
Movement in term deposits with maturity of greater than three months	**(45,520)**	(58,045)
Payments to acquire property and equipment	**(393,714)**	(961,378)
Dividends received	**11,880,577**	11,908,480
Interest income received	**139,584**	134,277
Proceeds from sale of property and equipment	**108,822**	1,289
Net cash generated from investing activities	**11,689,749**	11,024,623
Cash flows from financing activity		
Dividends paid	**(18,897)**	(204,681)
Proceeds from issuance of ordinary shares	**3,107**	1,903
Net cash used in investing activities	**(15,790)**	(202,778)
Net (decrease)/increase in cash and cash equivalents	**(8,219,151)**	24,502,930
Cash and cash equivalents at beginning of the year	**38,397,531**	13,894,601
Cash and cash equivalents at end of the period (note 25)	**30,178,380**	38,397,531

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

1 General information

Al Khazna Insurance Company P.S.C. (the "Company") is a public shareholding company. The Company are incorporated in the Emirate of Abu Dhabi by virtue of the Emiri Decree No. (4) dated 11 September 1996.

The Company's principal activity is the writing of general insurance and re-insurance business of all classes.

The Company operates through its head office in Abu Dhabi and branch offices in Dubai and Al Ain. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 73343, Abu Dhabi, United Arab Emirates.

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

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

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

In the current year, the Company for the first time has applied the following new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements in IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurements except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purpose).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

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

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements (continued)

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The main amendment to IAS 1 requires 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.

Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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 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 IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have been adopted in these consolidated 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)	IAS 19 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.

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

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

New and revised IFRSs	Summary of requirement
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.
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 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.*
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.
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)

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

New and revised IFRSs	Summary of requirement
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.
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.
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.*
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* relating to requirements to provide comparative information	The amendments provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

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

2.3 New and revised IFRSs in issue but not yet effective

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

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 financial 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
Amendment to IAS 36 *Impairment of Assets* relating to recoverable amount disclosures for non-financial assets	1 January 2014
Amendments to IAS 39 *Financial instruments – Recognition and Measurement* relating to novations of derivatives and continuation of hedge accounting	1 January 2014
IFRIC 21 *Levies*	1 January 2014
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)	No earlier than annual periods beginning on or after 1 January 2017
Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9	When IFRS 9 is first applied

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

3 Summary of significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and also comply with the applicable requirements of the laws of the UAE.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and investment properties. Historical cost is generally based on fair value of the consideration given in exchange for assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Name of subsidiary	Proportion of ownership		Country of incorporation	Principal activities
	2013	2012		
The Best Tenants LLC ***	**99%**	99%	UAE	To market, promote and deliver property management and advisory services.
Pearl Capital Investments LLC ***	-	100%	UAE	To invest in securities and real estate.
National Publishers LLC	-	100%	UAE	Publishing of periodicals.
Real Estate Academy Est. (Al Akarya Academy) **	**100%**	100%	UAE	To market, promote and delivery management and advisory services in respect of real estate.
Al Khazna Real Estate Est. *	**100%**	100%	UAE	To market, promote and deliver management and advisory services in respect of real estate.
Modern Academy Administrative Training LLC *	**100%**	100%	UAE	To provide business management training.
IT Academy LLC *	**100%**	100%	UAE	To provide business management training.
Real Estate Academy for Training LLC *	**100%**	100%	UAE	To provide business management training.
Academy of Tourism and Holidays LLC *	**100%**	100%	UAE	To provide training in the field of travel, tourism and hotel management.
First Deal Real Estate LLC ***	**100%**	100%	UAE	To manage investments in real estate.
Academy for Investment Est. *	**100%**	100%	UAE	To manage investments in real estate.
Under Writing Electronics Solutions Est. *	**100%**	100%	UAE	Data formatting, computer system and instruments filling services.
Tadawel Electronics Solutions Est. *	**100%**	100%	UAE	Software consultancy, storing and retrieving data.
Tel Fast Recruitment Agencies LLC *	**99%**	99%	UAE	Employment services – recruitment
Tel Fast Manpower Supply LLC *	**99%**	99%	UAE	Labourers supply services.

* These subsidiaries have not yet commenced operations and their trade licenses have expired and not been renewed.

** These subsidiaries have not yet commenced operations and do not have trade licenses.

***These subsidiaries have commenced operations but their trade licenses have expired and not been renewed.

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

3.4 Foreign currencies

For the purpose of these consolidated financial statements UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of profit or loss in the period in which they arise.

3.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated so as to write off the cost of property and equipment less their estimated residual values, on a straight line basis over their expected useful economic lives, as follows:

Furniture, fixtures and office equipment	5 years
Motor vehicles	4 years
Computer equipment and accessories	5 years

The estimated useful lives, residual values and depreciation method reviewed at the end of each annual reporting period with the effect of any changes accounted for on a prospective basis.An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3 Summary of significant accounting policies (continued)

3.6 Capital work in progress

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. When the asset is ready for its intended use and is commissioned, capital work in progress is transferred to the appropriate property, plant and equipment or intangible asset category and is depreciated or amortised on the same basis as other assets in accordance with Group's policies.

3.7 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 properties are included in the profit or loss for the period in which they arise.

3.8 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3 Summary of significant accounting policies (continued)

3.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.10 Insurance contracts

The Group issues insurance contracts which are those contracts that transfer significant insurance risk.

Recognition and measurement

General insurance contracts protect the Group's customers for damage suffered to their assets as well as against the risk of causing harm to third parties as a result of their legitimate activities. General insurance contracts also protect the Group's customers from the consequences of events such as illness and disability.

For all these contracts, premiums are recognised as revenue proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reporting as the unearned premium liability. Premiums are shown before deduction of commission.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owned to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group.

The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Liability adequacy tests

Liability adequacy tests are performed at the end of the reporting period to ensure the adequacy of the contract liabilities. In performing these test, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

3 Summary of significant accounting policies (continued)

3.10 Insurance contracts (continued)

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the end of the reporting period, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the end of the reporting period and is estimated using the time proportionate method. The unearned premiums are computed using the 365th method to spread the premium written proportionally over the period of coverage, except for marine, which calculated using the 25% method.

The re-insurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as re-insurance contract assets in the financial statements.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Insurance contracts entered into by the Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contract and in accordance with the terms of each reinsurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expenses when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance assets is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of income.

Reinsurance commissions received from the reinsurers are carried over the same period as the related ceded premiums.

3 Summary of significant accounting policies (continued)

3.10 Insurance contracts (continued)

Deferred policy acquisition costs

Commissions that are related to securing new contracts and renewing existing contracts are capitalised as Deferred Acquisition Costs ("DAC"). All other costs are recognised as expenses when incurred. Deferred acquisition costs are subsequently amortised over the life of the contracts. The resulting change to the carrying value of the DAC is charged to the consolidated statement of profit or loss.

Receivable and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of profit or loss.

The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimated of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

3.11 Employee benefits

Accrual is made for the full amount of end of service benefits due to non-UAE national employees in accordance with UAE Labour Law, for their period of service up to the end of the reporting period.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (9) of 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees' period of service.

3 Summary of significant accounting policies (continued)

3.12 Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases.

The Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.13 Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

3.13.1 Classification of financial assets

The Group classifies its financial assets under the following categories: loans and receivables, available for sale financial assets and financial assets at fair value through profit or loss (FVTPL).

3.13.2 Financial assets at amortised cost and the effective interest method

Cash and cash equivalents

Cash and cash equivalents which include cash on hand and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

Insurance receivables

Insurance receivables and other receivables that are non derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as financial assets at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short- term receivables when the recognition of interest would be immaterial.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

3 Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

3.13.3 Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL where the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair values of financial assets at fair value through profit or loss are determined by reference to quoted market prices.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the 'net investment income' line item in the profit and loss.

3.13.4 Available for-sale financial assets

Investments not classified as either "FVTPL" are classified as AFS investments and are initially measured at trade date value, plus directly attributable transaction costs.

After initial recognition, AFS investments are remeasured at fair value, based on quoted market prices at the end of reporting period.

Unrealised gains and losses on remeasurement to fair value on AFS investments are recognised directly in equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gains or losses previously reported in equity are included in profit or loss.

3 Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

3.13.4 Available for-sale financial assets (continued)

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3.13.5 Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, reflecting the impact of collateral and guarantees, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3 Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

3.13.6 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

3.14 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities comprised of insurance payables and other liabilities, term loan and bank overdraft are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3 Summary of significant accounting policies (continued)

3.15 Dividend distribution

Dividend distribution to the Group's Shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's Shareholders.

3.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

Insurance contract income

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these consolidated financial statements (see above 3.10)

Commission income and expenses

Commission income is recognised when re-insurance is entered into and commission expenses are recognised when the policies are issued based on the terms and percentages agreed with other insurance companies and/or brokers.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease and is stated net of related expenses.

Dividend income

Dividend income is recognised when the Group's right to receive the payment has been established.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

4 Critical accounting judgments and key sources of estimation of uncertainty

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimates made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

4.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at available for sale or FVTPL. In judging whether investments in securities are as at available for sale or FVTPL. Management has considered the detailed criteria for determination of such classification as set out in IAS 39, *Financial Instruments: Recognition and Measurement*. Management is satisfied that its investments in securities are appropriately classified.

4.2 Impairment of amounts due from policy holders

An estimate of the collectible amount from policy holders is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired entails the management's evaluation of the specific credit and liquidity position of the policy holders and their historical recovery rates including detailed investigations carried out during the year. Impairment of amounts due from policy holders at 31 December 2013 is AED 28,820,306 (2012: AED 24,866,122).

4.3 The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made at the end of the reporting period both for the expected ultimate cost of claims reported for the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.4 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

4 Critical accounting judgments and key sources of estimation of uncertainty

4.5 Impairment of amounts due from insurance and re-insurance companies

Management regularly reviews the collectability of amounts due from insurance and re-insurance companies. The majority of these receivables are due from reputable local and international insurance and re-insurance companies. Such balances are regularly reconciled by both parties and are settled by on account payments on a regular basis. Based on above evaluation, Management is satisfied that no impairment is necessary on receivables from insurance and re-insurance companies.

4.6 Impairment for available-for-sale financial assets

The Group follows the guidance of IAS 39 '*Financial Instruments'*: *Recognition and Measurement* to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less that its cost; and the financial health of and short-term business for the investee.

4.7 Interest on bank loan

The Group accounted for the interest expense on the bank loan using the interest rate stipulated in the loan agreement. A dispute with the Bank has arisen as the Bank changed the interest charged on the facility to a rate higher than that stipulated in the loan agreement. The excess interest charged to 31 December 2013 is approximately AED 15.9 million (2012: AED 12.9 million). This has not been recorded by the Group as a finance cost. The Group is currently in negotiations with the Bank to adjust the interest being charged on the bank loan.

4.8 Carrying value of the long term prepaid rent

Included in the insurance and other receivables is prepaid rent with a carrying value of AED 14.2 million. This relates to a 5 year prepaid rent contract with an original value of AED 49 million. The Group intends to enter into an educational project on this leased property. Management estimate that as of 31 December 2013 an amount of AED 14.2 million (2012: AED 18.9 million) will be recoverable and will be contributed to the project (note 10). A change in the estimates or the delay in the project would have a significant effect on the consolidated financial results of the Group.

4.9 Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determined the amount within a range of reasonable fair value estimates. In making its judgment, the Group considered recent prices of similar properties in the same location and similar conditions, which adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

4.10 Useful lives and residual values of property and equipment

Management reviews the residual values and estimated useful lives of property and equipment at the end of each annual reporting period in accordance with IAS 16 *Property, Plant and Equipment*. Management has determined that current year expectations do not differ from previous estimates based on its review.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

5 Property and equipment

	Furniture, fixtures and office equipment AED	Motor vehicles AED	Computer equipment and accessories AED	Capital work in progress AED	Total AED
Cost					
1 January 2012	9,647,874	1,530,729	5,437,957	5,145,916	21,762,476
Additions	493,826	83,500	384,052	-	961,378
Disposals	(68,398)	-	-	-	(68,398)
1 January 2013	10,073,302	1,614,229	5,822,009	5,145,916	22,655,456
Additions	199,596	87,888	106,230	-	393,714
Disposals	(1,146,580)	(272,745)	(1,968)	-	(1,421,293)
Derecognised on disposal of subsidiary (note 22)	(2,367,599)	-	(671,274)	-	(3,038,873)
31 December 2013	**6,758,719**	**1,429,372**	**5,254,997**	**5,145,916**	**18,589,004**
Accumulated depreciation					
1 January 2012	7,323,039	939,359	4,354,469	-	12,616,867
Charge for the year	1,087,999	289,447	411,420	-	1,788,866
Eliminated on disposal	(67,754)	-	-	-	(67,754)
1 January 2013	8,343,284	1,228,806	4,765,889	-	14,337,979
Charge for the year	817,641	212,576	394,427	-	1,424,644
Eliminated on disposals	(1,080,178)	(222,729)	(1,968)	-	(1,304,875)
Derecognised on disposal of subsidiary (note 22)	(2,096,721)	-	(604,342)		(2,701,063)
31 December 2012	**5,984,026**	**1,218,653**	**4,554,006**	-	**11,756,685**
Carrying amount					
31 December 2013	**774,693**	**210,719**	**700,991**	**5,145,916**	**6,832,319**
31 December 2012	1,730,018	385,423	1,056,120	5,145,916	8,317,477

Capital work in progress of AED 5.1 million (2012: AED 5.1 million) at 31 December 2013 is largely comprised of a flat in a property under development in Dubai which the management intend to hold for their Group's use.

The contracted value of the flat is AED 18.3 million of which AED 9.1 million has been advanced and the remaining commitment in respect of this flat amounts to AED 9.2 million at 31 December 2013.

6 Investment properties

	Land AED	Buildings AED	Total AED
At 1 January 2012	228,787,000	243,857,824	472,644,824
Changes in fair value	(1,497,000)	(10,907,424)	(12,404,424)
At 1 January 2013	227,290,000	232,950,400	460,240,400
Changes in fair value	(66,226,000)	(63,250,400)	(129,476,400)
31 December 2013	**161,064,000**	**169,700,000**	**330,764,000**

Investment properties represent the fair value of lands with a total value of AED 161.1 million (31 December 2012: AED 227.3 million) and buildings with a value of AED 169.7 million (31 December 2012: AED 233 million) owned by the Group in Abu Dhabi, Al Ain and Mussaffah.

The fair value of the investment properties as of 31 December 2013 has been arrived at on the basis of valuations carried out by M/s Colliers International P.O. Box 71591, Dubai, United Arab Emirates, independent valuers not related to the Group. The valuations were arrived at by reference to market evidence of transactions of similar properties and income approach. 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 fair value of the investment properties as of 31 December 2012 has been arrived at on the basis of valuations carried out by M/s Continental Surveying & Evaluation P.O. Box 115367, Dubai, United Arab Emirates, Chartered Surveyors that are not related to the Group. The valuations were arrived at by reference to market evidence of transactions of similar properties and income approach.

The impact of the change in fair value estimate as at 31 December 2013 resulted in a decrease in investment properties by AED 129.5 million compared to their carrying value as of 31 December 2012. Management did not complete its assessment on whether this decrease in fair value came as a result of changes in circumstances or failure to use reliable information that was available when consolidated financial statements for prior periods were authorised for issue. As the assessment was not completed, the decrease in fair value amounting to AED 129.5 million has been charged to the consolidated profit or loss for the year ended 31 December 2013.

A building with a carrying value of AED 146 million (2012: AED 212 million) is mortgaged in favour of First Gulf Bank against the bank loan (note 18).

Included within investment property are two plots of land with a carrying value of AED 89.3 million (2012: AED 133.5 million) whose title was not transferred to the name of the Group, pending the settlement of the last installment. Also included within investment property is a plot of land valued at AED 11.6 million (2012: AED 11.3 million) whose transfer of title is currently being processed.

All investment properties are located in the United Arab Emirates.

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

6 Investment properties (continued)

The property rental income earned by the Group from its investment properties, part of which is leased out under operating leases and the direct operating expenses arising on the investment properties are as follows:

	2013 AED	2012 AED
Rental income	**10,221,796**	11,199,376
Direct operating expenses	**(919,765)**	(1,085,208)
	9,302,031	10,114,168

7 Investments in securities

	2013 AED	2012 AED
Available for sale (AFS) investments		
Quoted UAE equity securities	**6,124,587**	5,039,660
Unquoted UAE equity securities	**70,780,622**	58,661,983
	76,905,209	63,701,643
Investments at FVTPL		
Quoted UAE securities	**198,303,813**	203,129,289
Quoted foreign equity securities	**67,301,065**	79,230,262
	265,604,878	282,359,551

The movement in the investments in securities is as follows:

	AED	AED
AFS investments		
Fair value at 1 January	**63,701,643**	63,087,384
Increase in fair value taken to other comprehensive income	**13,697,732**	1,717,478
Impairment losses on unlisted UAE equity securities	**(494,166)**	(1,103,219)
Fair value at the end of the reporting year	**76,905,209**	63,701,643
Investments at FVTPL		
Fair value at 1 January	**282,359,551**	248,927,782
Proceeds on disposal	-	(57,286)
Realised loss on disposal	-	(91,832)
(Decrease)/increase in fair value taken to profit or loss (note 21)	**(16,754,673)**	33,580,887
Fair value at the end of the reporting year	**265,604,878**	282,359,551

7 Investments in securities (continued)

The geographical distribution of investments is as follows:

	2013 AED	2012 AED
Within UAE	**275,209,022**	266,830,932
Outside UAE	**67,301,065**	79,230,262
	342,510,087	346,061,194

8 Statutory deposit

In accordance with the requirements of UAE 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 UAE Insurance Authority.

9 Insurance contract liabilities and re-insurance contract assets

	2013 AED	2012 AED
Insurance liabilities		
- Claims reported unsettled	**67,600,221**	91,767,841
- Claims incurred but not reported	**2,541,430**	2,821,000
- Unearned premiums	**46,535,000**	49,210,060
	116,676,651	143,798,901
Recoverable from re-insurers		
- Claims reported unsettled	**53,246,286**	60,660,602
- Claims incurred but not reported	**1,030,813**	1,263,472
- Unearned premiums	**26,285,164**	23,945,112
	80,562,263	85,869,186
Insurance liabilities - net		
- Claims reported unsettled	**14,353,935**	31,107,239
- Claims incurred but not reported	**1,510,617**	1,557,528
- Unearned premiums	**20,249,836**	25,264,948
	36,114,388	57,929,715

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

9 Insurance contract liabilities and re-insurance contract assets (continued)

	2013			2012		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
CLAIMS						
Notified claims	91,767,841	60,660,602	31,107,239	115,073,157	87,774,861	27,298,296
Incurred but not reported	2,821,000	1,263,472	1,557,528	5,562,000	3,122,424	2,439,576
Total at 1 January	94,588,841	61,924,074	32,664,767	120,635,157	90,897,287	29,737,872
Claims settled	(66,993,122)	(21,245,326)	(45,747,796)	(80,927,943)	(33,114,203)	(47,813,740)
Increase in liabilities	42,545,932	13,598,351	28,947,581	54,881,627	4,140,992	50,740,635
Total at 31 December	70,141,651	54,277,099	15,864,552	94,588,841	61,924,074	32,664,767
Notified claims	67,600,221	53,246,286	14,353,935	91,767,841	60,660,602	31,107,239
Incurred but not reported	2,541,430	1,030,813	1,510,617	2,821,000	1,263,472	1,557,528
Total at 31 December	70,141,651	54,277,099	15,864,552	94,588,841	61,924,074	32,664,767
UNEARNED PREMIUM						
Total at 1 January	49,210,060	23,945,112	25,264,948	49,277,432	26,670,976	22,606,456
Premiums written during the year	95,417,609	58,852,924	36,564,685	139,655,621	59,925,631	79,729,990
Release during the year	(98,092,669)	(56,512,872)	(41,579,797)	(139,722,993)	(62,651,495)	(77,071,498)
Net (decrease)/increase during the year	(2,675,060)	2,340,052	(5,015,112)	(67,372)	(2,725,864)	2,658,492
Total at 31 December	46,535,000	26,285,164	20,249,836	49,210,060	23,945,112	25,264,948

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

10 Insurance and other receivables

	2013 AED	2012 AED
Due from policy holders	**50,902,966**	52,507,699
Due from agents, brokers and intermediaries	**21,777,928**	21,050,059
Due from insurance companies	**11,663,276**	16,558,878
Less: provision for impairment of receivables	**(28,820,306)**	(24,866,122)
	55,523,864	65,250,514
Deposits and other receivables	**12,070,536**	11,474,260
Less: provision for impairment of other receivables	**(5,400,000)**	(5,400,000)
	6,670,536	6,074,260
Prepaid rent	**14,160,616**	18,880,821
Rent receivables	**1,287,305**	2,893,005
	77,642,321	93,098,600

Prepaid rent represents a 5 year lease agreement that commenced on 19 November 2011 for a five storey building in Dubai World Center which management intends to use for a university project.

The Group signed a Memorandum of Understanding (MoU) with Abu Dhabi Holding, a related party, on 27 March 2013. As per the MoU, both parties agreed to enter into a partnership to establish and operate the university, whereby the Group contribution would be providing the leased premises to the partnership for which the prepaid rent of AED 14.2 million is outstanding as at 31 December 2013 (2012: AED 18.9 million). The partnership has not been established as at 31 December 2013, and is subject to obtaining regulatory approvals and finalisation of legal documentation.

At 31 December 2013, the Group had a concentration of credit risk, with three customers (2012 : two customers) accounting for 40.2% of insurance receivables outstanding at that date (2012: 31.34%). Management is confident that this concentration of credit risk will not result in any loss to the Group considering the credit history of these customers.

As at 31 December 2013, insurance receivables with a carrying value of AED 28.82 million (2012: AED 24.87 million) were impaired and fully provided. An amount of AED 28.0 million (2012: 18.6 million) of impaired loans and receivables were overdue for more than 1 year.

The movement in allowance for impairment loss in respect of receivables is as follows:

	2013 AED	2012 AED
At 1 January	**24,866,122**	20,272,781
Provision for the year	**7,018,100**	5,572,156
Release of provision	**(3,063,916)**	(978,815)
At 31 December	**28,820,306**	24,866,122

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

10 Insurance and other receivables (continued)

Insurance receivables that are outstanding for more than three months are considered past due. At 31 December 2013, due from contract holders, agents, brokers, intermediaries and reinsurers of AED 51.0 million (2012: AED 41.9 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2013 AED	2012 AED
Not past due:	**4,485,969**	23,388,194
Past due but not impaired:		
91 to 180 days	**29,006,200**	5,263,535
181 to 365 days	**171,988**	2,016,253
More than 1 year	**21,859,707**	34,582,532
	51,037,895	41,864,923
Past due and impaired:		
181 to 365 days	**805,954**	6,304,675
More than 1 year	**28,014,352**	18,561,447
	28,820,306	24,866,122
	84,344,170	90,116,636

Impairment of other receivables

The Group has recognised a loss of AED Nil (2012: AED 2.7 million) for the impairment of its other receivables during the year ended 31 December 2013. The provision for impaired other receivables amounted to AED 5.4 million at 31 December 2013 (2012: AED 5.4 million).

The creation of provision for impaired insurance receivables and the provision for impaired other receivables has been included in the consolidated statement of profit or loss. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

11 Bank and cash

	2013 AED	2012 AED
Balances held at UAE banks	**28,500,998**	38,929,679
Balances held at foreign banks abroad	**1,542,372**	1,883,986
Cash on hand	**135,010**	251,867
	30,178,380	41,065,532

12 Share capital

	2013 AED	2012 AED
Authorised:		
420,000,000 shares of AED 1 each (2012: 410,000,000 shares of AED 1 each)	**420,000,000**	410,000,000
Allotted, issued and fully paid:		
420,000,000 shares of AED 1 each (2012: 410,000,000 shares of AED 1 each)	**420,000,000**	410,000,000

At the Annual General Meeting held on 23 April 2013, the Shareholders approved to distribute dividends for an amount of AED 10 million through the issuance of bonus shares and increasing the number of issued shares from 410 million shares to 420 million shares (At the Annual General Meeting held on 17 April 2012 – issuance of bonus shares and increasing the number of issued shares from 400 million shares to 410 million shares). In an Extraordinary General Meeting on 22 December 2013, the Shareholders approved to increase the share capital of the Company by AED 200 million. The Company is in the process of obtaining the necessary approvals from the concerned authorities for the capital increase. Moreover, the Shareholders have requested the issue of bonus shares up to the maximum amount.

13 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 profit is 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. This reserve is not available for dividend distribution.

14 Regulatory reserve

In accordance with Article 57 of the Company's Articles of Association, 10% of the Company's annual profit is transferred to the regulatory reserve. This reserve may be used for such purposes as the Directors deem fit.

15 Proposed dividends

During the year 2013, the Company distributed dividends for an amount of AED 10 million through the issuance of bonus shares and increasing the number of issued shares from 410 million shares to 420 million shares.

16 Provision for end of service benefits

	2013 AED	2012 AED
Balance at the beginning of the year	**3,765,749**	3,025,318
Charge for the year	**1,083,334**	1,013,452
Paid during the year	**(824,846)**	(273,021)
Balance at the end of the year	**4,024,237**	3,765,749

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

17 Insurance and other payables

	2013 AED	2012 AED
Due to insurance companies	**21,749,042**	19,824,297
Other insurance payables	**33,711,585**	30,630,593
Dividends payable	**18,053,961**	18,072,857
Accruals and other payables	**11,194,763**	13,451,843
	84,709,351	81,979,590

18 Bank borrowings

	2013 AED	2012 AED
Bank loan	**79,978,428**	104,799,992
Bank overdrafts	**108,833,302**	71,698,104
	188,811,730	176,498,096

The loan is from First Gulf Bank and is repayable in semi-annual installments of AED 15.7 million each up to 2017. The loan carries interests at a rate of 6 month EIBOR + 1.50%. The Group has provided First Gulf Bank with a primary mortgage over AKIC Tower, classified under the investment properties, fair valued at AED 146 million (31 December 2012: AED 212 million).

Beginning 2009, the bank changed the interest rates on the bank loan and charged the Group interest rate greater than what was stipulated in the loan agreement. As per the agreement, changes in interest rate need to be mutually agreed by both parties through a written confirmation. The Group did not acknowledge any change in interest rate and requested the justification from the bank for the change in interest rate.

The bank has opened a bank overdraft facility in the name of the Group for the repayment of the six due installments on which the group defaulted from 2011 to 2013. The outstanding overdraft balance as at 31 December 2013 amounted to AED 108.8 million (2012: AED 71.7 million). The Bank charged an interest at a rate of 10% on this overdraft facility.

Management believes that the 10% interest charged on the overdraft facility is excessive and the bank would not be eligible for more than 3% interest over the overdraft facility as a penalty for the due payments as per the original agreement.

The excess interest charged to date on the loan and the overdraft facility is approximately AED 15.9 million (31 December 2012: AED 12.9 million).

The Group is currently in the process of finalising negotiation with the bank to adjust the interest being charged on the bank loan to the originally mandated interest as per the agreement.

18 Bank borrowings (continued)

During the year 2011, an adjustment of AED 9.4 million was reflected in the books to decrease the interest expense charged on the bank loan for the period from January 2009 to 31 December 2011. For the year ended 31 December 2012 and 2013, management has continued to recognise only the interest charge on the bank loan as per the original agreement which is lower than the interest charged by the bank by AED 3.5 million and AED 2.4 million, respectively.

During the year ended 31 December 2013, an adjustment of AED 0.6 million was reflected in the books to decrease the interest expense charged on the overdraft facility for the period from March 2011 to 31 December 2013.

The final consent has not yet obtained from the bank but management is confident that the bank will adjust the interest according to the original terms of the contract.

19 Related parties

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

	2013 AED	2012 AED
Due from policyholders	**914,146**	876,991
Other receivables	**3,343,182**	-
Due to policyholders	**4,477,743**	2,578,039

Transactions

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

	2013 AED	2012 AED
Net premiums written	**16,184,955**	25,424,876
Claims paid	**6,643,049**	20,736,610
Remuneration of key management personnel	**7,499,075**	7,858,266

The remuneration of key management personnel is based on the remuneration agreed in their employment contract as approved by the Board of Directors.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

20 Operating expenses

	2013 AED	2012 AED
Staff costs	**22,999,723**	23,322,333
Rent	**7,103,919**	8,346,589
Provision for doubtful receivables, net of reversals	**4,517,346**	7,293,341
Depreciation and property and equipment	**1,424,644**	1,788,866
Fees and licenses	**766,649**	717,103
Others	**3,141,093**	7,770,539
	39,953,374	49,238,771
Allocated to:		
Underwriting	**35,232,916**	44,223,970
Other expenses	**4,720,458**	5,014,801
	39,953,374	49,238,771

21 Net investment (loss)/income

	2013 AED	2012 AED
Net fair value loss on investment properties (note 6)	**(129,476,400)**	(12,404,424)
Net fair value (loss)/gain on investments at FVTPL (note 7)	**(16,754,673)**	33,580,887
Dividends from investments in securities	**11,880,577**	11,908,480
Net income from investment properties (note 6)	**9,302,031**	10,114,168
Impairment on available for sale investments (note 7)	**(494,166)**	(1,103,219)
Interest on term deposits	**130,046**	134,025
Other investment (loss)/income – net	**(2,070,078)**	1,520,429
	(127,482,663)	43,750,346

22 Disposal of subsidiaries

In accordance with an MOU signed with Abu Dhabi Holding, the Group disposed Pearl Capital Investments L.L.C. and National Publishers L.L.C. effective 14 November 2013. In accordance with the MOU, all assets of Pearl Capital Investments L.L.C., except for certain assets specified in the MOU, have been transferred to the Company, after which the subsidiaries have been disposed of without consideration.

22.1 Analysis of asset and liabilities over which control was lost

	AED
Non-current assets	
Property, plant and equipment	**337,810**

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

22 Disposal of subsidiaries (continued)

22.2 Loss on disposal of subsidiaries

	AED
Consideration received	-
Property, plant and equipment	**(337,810)**
	(337,810)

23 (Loss)/profit for the year

(Loss)/profit for the year is arrived after charging the following:

	2013 AED	2012 AED
Staff costs	**22,999,723**	23,322,333
Depreciation on property and equipment	**1,424,644**	1,788,866

24 Basic and diluted (loss)/earnings per share

(Loss)/earnings per share are calculated by dividing the (loss)/profit for the year over the weighted average number of ordinary shares outstanding during the year as follows:

	2013	2012
(Loss)/profit for the year (AED)	**(162,866,289)**	11,910,175
Weighted number of ordinary shares in issue throughout the year	**420,000,000**	420,000,000
Basic and diluted (loss)/earnings per share (AED)	**(0.388)**	0.028

As mentioned in note 12 to the consolidated financial statements, a distribution of dividends for an amount of AED 10 million was approved by the Shareholders in the Annual General Meeting held on 23 April 2013 through issuance of bonus shares and increasing the number of issued shares from 410 million shares to 420 million shares.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

24 Basic and diluted (loss)/earnings per share (continued)

The earnings per share for the year ended 31 December 2013 and 31 December 2012 were adjusted for the bonus shares declared in the above Annual General Meeting.

As of 31 December 2013, the Group has not issued any instruments that have an impact on earnings per share when exercised and accordingly diluted earnings per share are the same as basic earnings per share.

25 Cash and cash equivalents

	2013	2012
	AED	AED
Term deposits	**1,738,020**	1,692,500
Bank balances and cash	**30,178,380**	41,065,532
Less: Term deposits with original maturity of greater than three months	**(1,738,020)**	(1,692,500)
Bank overdraft facilities	-	(2,668,001)
	30,178,380	38,397,531

For the purpose of the consolidated statement of cash flows, bank overdraft amounting to AED 108.8 million (2012: AED 69.0 million) was excluded from cash and cash equivalents since it relates to the financing of the bank loan (note 18) and is included within the financing activities.

26 Segment information

The segments disclosed in the current year were revised based on the new measure reported to the Chief Operating Decision Maker for purposes of resource allocation and segments performance.

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

Underwriting of general insurance business – incorporating all classes of general insurance such as; fire, marine, motor, general accident and miscellaneous.

Investments – Incorporating investments in marketable equity securities, term deposits with banks and investment properties and other securities.

26 Segment information (continued)

Primary segment information- business segment

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

	Underwriting		Investments		Total	
	2013 AED	2012 AED	**2013 AED**	2012 AED	**2013 AED**	2012 AED
Segment revenue	**101,692,305**	147,069,924	**(127,482,663)**	43,750,346	**(25,790,358)**	190,820,270
Segment result	**(18,802,226)**	(15,305,557)	**(132,203,121)**	38,735,545	**(151,005,347)**	23,429,988
Unallocated expenses					**(11,860,942)**	(11,519,813)
(Loss)/profit for the year					**(162,866,289)**	11,910,175

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

	Underwriting		Investments		Total	
	2013 AED	2012 AED	**2013 AED**	2012 AED	**2013 AED**	2012 AED
Segment assets	**167,169,555**	189,859,172	**685,012,107**	817,994,094	**852,181,662**	1,007,853,266
Unallocated assets					**30,178,380**	41,065,532
Total assets					**882,360,042**	1,048,918,798
Segment liabilities	**194,191,435**	220,811,768	**191,478,561**	182,232,637	**385,669,996**	403,044,405
Unallocated liabilities					**18,053,961**	18,072,858
Total liabilities					**403,723,957**	421,117,263

There were no transactions between the business segments during the year.

26 Segment information (continued)

Secondary segment information-revenue from underwriting departments

The following is an analysis of the Group's revenues (gross written premiums and commission income) classified by major underwriting departments.

	2013 AED	2012 AED
Motor	**24,311,853**	26,324,350
Engineering	**8,080,597**	11,566,983
Fire and General Accidents	**37,095,455**	35,226,534
Marine and Aviation	**17,121,812**	17,071,456
Employee Benefits, Medical and Personal Assurance	**15,082,588**	56,880,601
	101,692,305	147,069,924

Geographical information

The Group's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe. All the investments of the Group are held in the UAE and other GCC countries.

Total revenues and total assets of the underwriting and investment segments by geographical location are detailed below:

	Revenue 2013 AED	Revenue 2012 AED	**Total assets 2013 AED**	Total assets 2012 AED
United Arab Emirates	**96,600,253**	140,948,993	**794,050,094**	943,024,811
Other GCC countries	-	-	**1,482,635**	2,040,896
Others	**5,092,052**	6,120,931	**86,827,313**	103,853,091
	101,692,305	147,069,924	**882,360,042**	1,048,918,798

27 Contingent liabilities

At 31 December 2013, the Group had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 12.6 million (31 December 2012: AED 11.5 million).

28 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the estimated amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Group manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property insurance contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer net insurance losses of a set limit of AED 200,00 for motor, AED 500,000 for marine, AED 10,000 for medical and AED 750,000 for others in any one policy. The Group has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

28 Insurance risk (continued)

Frequency and severity of claims (continued)

The concentration of insurance risk before and after reinsurance in relation to the type of general insurance risk that is accepted is summarized below, with reference to the net carrying amount of the related insurance liabilities (gross and net of reinsurance) arising from general insurance contracts.

	Type of risk					
2013	**Fire AED**	**Motor AED**	**Medical AED**	**Marine and aviation AED**	**Accident and others AED**	**Total AED**
Gross	15,092,092	27,389,249	12,379,381	26,231,315	35,584,614	116,676,651
Net	1,750,147	20,358,184	11,994,063	1,889,698	5,219,438	41,211,530
2012						
Gross	17,804,842	27,524,629	32,120,819	29,569,175	36,779,436	143,798,901
Net	2,197,141	21,380,334	30,896,037	2,222,409	7,091,153	63,787,074

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Group considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of the reporting period.

28 Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments (continued)

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The initial estimate of the loss ratios used for the current year before and after reinsurance are analysed below by type of risk where the insured operates for current and prior year premiums earned.

	Year ended 31 December 2013		Year ended 31 December 2012	
Type of risk	**Gross loss ratio**	**Net loss ratio**	Gross loss ratio	Net loss ratio
Motor	**52%**	**63%**	26%	35%
Non-Motor	**63%**	**91%**	47%	73%

Process used to decide on assumptions

The risks associated with the insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Group's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an underwriting year basis for motor and non-motor:

28 Insurance risk (continued)

Claims development process (continued)

Underwriting year	2009 AED' 000	2010 AED' 000	2011 AED' 000	2012 AED' 000	2013 AED' 000	Total AED' 000
At the end of the underwriting year	649,425	91,599	23,416	35,930	10,177	810,547
One year later	513,229	36,233	31,964	26,721	-	608,147
Two years later	542,119	42,080	34,756	-	-	618,955
Three years later	529,072	45,414	-	-	-	574,486
Four years later	504,269	-	-	-	-	504,269
Current estimate of cumulative claims	504,269	45,414	34,756	26,721	10,177	621,337
Cumulative payments to date	(484,371)	(34,345)	(22,036)	(10,444)	-	(551,196)
Liability recognised in the consolidated statement of financial position	**19,898**	**11,069**	**12,720**	**16,277**	**10,177**	**70,141**

Concentration of insurance risk

The Group's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe.

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarised below:

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

28 Insurance risk (continued)

Concentration of insurance risk (continued)

		31 December 2013		
		Type of risk		
Territory		**Marine AED '000**	**Non-marine AED '000**	**Total AED '000**
UAE	Gross	**970,592**	**43,645,411**	**44,616,003**
	Net	**195,789**	**2,890,041**	**3,085,830**
GCC Countries	Gross	**11,419**	**242,042**	**253,461**
	Net	**2,705**	**12,000**	**14,705**
Total	Gross	**982,011**	**43,887,453**	**44,869,464**
	Net	**198,494**	**2,902,041**	**3,100,535**

		31 December 2012		
		Type of risk		
Territory		Marine AED'000	Non-marine AED'000	Total AED'000
UAE	Gross	1,022,718	59,423,274	60,445,992
	Net	136,063	9,861,049	9,997,112
GCC Countries	Gross	2,346	908,047	910,393
	Net	469	150,613	151,082
Non-GCC	Gross	-	267,602	267,602
	Net	-	14,992	14,992
Total	Gross	1,025,064	60,598,923	61,623,987
	Net	136,532	10,026,654	10,163,186

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

28 Insurance risk (continued)

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the (loss)/profit of the Group amounts to AED 16.4 million for the year ended 31 December 2013 (2012: AED 28.9 million). The Group does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 44% and the same is mainly contributed by one class of business i.e., Motor line wherein the retention level is 83%. However, in this class the liabilities are adequately covered by excess of loss reinsurance programs to guard against major financial impact.

29 Financial instruments

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The risks that the Company primarily faces due to the nature of its investments and underwriting business are interest rate risk, foreign currency risk, and market price risk, credit risk and liquidity risk.

29.1 Capital risk management

The Group's objectives in managing its capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of UAE;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

The table below summarises the minimum regulatory capital of the Group and the total capital held.

	2013 **AED**	2012 AED
Total Shareholders' equity	**478,636,085**	627,801,535
Minimum regulatory capital	**100,000,000**	100,000,000

29 Financial instruments (continued)

29.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

29.3 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group's result will be affected by changes in prevailing interest rates since a large portion of its income is affected by the interest on borrowings. A minor portion of its income derives from interest on investments and bank deposits.

The Group generally tries to minimise the interest rate risk by closely monitoring the market interest rates and investing in those financial assets in which such risk is expected to be minimal. The Group is exposed to cash flow interest rate risk as the bank borrowing carries interest at a floating rate.

Interest rate sensitivity analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the end of the reporting period.

If on the outstanding borrowings at 31 December 2013 the interest rates had been 1% point higher/lower during the year with all other variables held constant, loss for the year would have been AED 1.9 million higher/lower (2012: AED 1.76 million lower/higher profits), mainly as a result of higher/lower interest expense on floating rate borrowings.

29.4 Market price risk management

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group is exposed to market price risk with respect to its quoted investments. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Group actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

Equity price risk sensitivity analysis

At the end of the reporting period, if the equity prices are 5% higher/lower as per the assumptions mentioned below and all the other variables were held constant,:

- The Group's loss would (decrease)/increase by 13.2 million (2012: AED 14.1 million) as a result of the Group's portfolio classified under fair value through profit and loss (FVTPL).
- The Group's fair value reserves would increase/(decrease) by AED 3.8 million (2012: AED 3.2 million) as a result of the Group's available-for-sale financial assets portfolio.

29 Financial instruments (continued)

29.5 Foreign currency risk management

The Group's main operations are currently in the United Arab Emirates and therefore have limited exposure to foreign exchange risk. The transactions and balances are denominated in either AED or in currencies which the AED is currently pegged to.

29.6 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Key areas where the Group is exposed to credit risk are:

- re-insurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from banks for its bank balances and term deposits.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Re-insurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Company remains liable for the payment to the policy holder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policy holders and groups of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous groups of policy holders, a financial analysis equivalent to that conducted for re-insurers is carried out by the Group. Details on concentration of amounts due from policy holders is disclosed in Note 10. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policy holders.

At 31 December 2013 and 2012, virtually all of the deposits were placed with 8 banks. Management is confident that this concentration of liquid assets at year end does not result in any credit risk to the Group as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk for such receivables and liquid funds

29 Financial instruments (continued)

29.7 Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Bank facilities, the policy holders and the re-insurers, are the major sources of funding for the Company and the liquidity risk for the Group is assessed to be low. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table indicates the contractual timing of cash flows arising from assets and liabilities for management of the general insurance contracts at 31 December 2013 and 31 December 2012.

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

29 Financial instruments (continued)

29.7 Liquidity risk management (continued)

2013	No stated maturity AED	Within 1 year AED	1 to 5 year AED	Over 5 years AED	Carrying value AED
Assets					
Available-for-sale financial assets	76,905,209	-	-	-	76,905,209
At fair value through profit or loss financial assets	265,604,878	-	-	-	265,604,878
Insurance and other receivables	-	63,481,705	-	-	63,481,705
Reinsurance contracts	-	80,562,263	-	-	80,562,263
Bank deposits with an original maturity of more than three months	-	1,738,020	-	-	1,738,020
Cash and cash equivalents	-	30,178,380	-	-	30,178,380
Total financial assets	**342,510,087**	**175,960,368**	-	-	**518,470,455**
Liabilities					
Insurance contracts	-	116,676,651	-	-	116,676,651
Trade and other payables	-	84,709,351	-	-	84,709,351
Bank borrowings	-	140,233,302	48,578,428	-	188,811,730
Total financial liabilities	-	**341,619,304**	**48,578,428**	-	**390,197,732**
Difference in expected cash flows	**342,510,087**	**(155,658,936)**	**(48,578,428)**	-	**138,272,723**

2012	No stated maturity AED	Within 1 year AED	1 to 5 year AED	Over 5 years AED	Carrying value AED
Assets					
Available-for-sale financial assets	63,701,643	-	-	-	63,701,643
At fair value through profit or loss financial assets	282,359,551	-	-	-	282,359,551
Insurance and other receivables	-	80,075,137	-	-	80,075,137
Reinsurance contracts	-	80,011,828	-	-	80,011,828
Bank deposits with an original maturity of more than three months	-	11,692,500	-	-	11,692,500
Cash and cash equivalents	-	41,065,532	-	-	41,065,532
Total financial assets	**346,061,194**	**212,844,997**	-	-	**558,906,191**
Liabilities					
Insurance contracts	-	143,798,901	-	-	143,798,901
Trade and other payables	-	81,979,590	-	-	81,979,590
Bank borrowings	-	140,233,302	36,264,794	-	176,498,096
Total financial liabilities	-	**366,011,793**	**36,264,794**	-	**402,276,587**
Difference in expected cash flows	346,061,194	(153,166,796)	(36,264,794)	-	156,629,604

30 Fair value measurement

While the Group prepares its consolidated statements under the historical cost convention modified for measurement to fair value of investments carried at fair value and investment properties, in the opinion of management, the estimated carrying values and fair values of financial assets and liabilities, that are not carried at fair value in the consolidated financial statements are not materially different, since assets and liabilities are either short term in nature or in the case of deposits, frequently repriced.

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy for the year ended 31 December 2013:

31 December 2013	Date of valuation AED	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
ASSETS MEASURED AT FAIR VALUE					
Investment property	31.12.2013	-	-	**330,764,000**	**330,764,000**
At fair value through profit or loss					
Quoted equity securities	31.12.2013	**265,604,878**	-	-	**265,604,878**
AFS financial assets					
Quoted equity securities	31.12.2013	**6,124,587**	-	-	**6,124,587**
Unquoted equity securities	31.12.2013	-	**10,500,758**	**60,279,864**	**70,780,622**
		6,124,587	**10,500,758**	**60,279,864**	**76,905,569**

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy for the year ended 31 December 2012:

31 December 2012	Date of valuation AED	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
ASSETS MEASURED AT FAIR VALUE					
Investment property	31.12.2012	-	-	460,240,400	460,240,400
At fair value through profit or loss					
Quoted equity securities	31.12.2012	282,359,551	-	-	282,359,551
AFS financial assets					
Quoted equity securities	31.12.2012	5,039,660	-	-	5,039,660
Unquoted equity securities	31.12.2012	-	6,566,727	52,095,256	58,661,983
		5,039,660	6,566,727	52,095,256	63,701,643

30 Fair value measurement (continued)

Transfer between categories

During the year, 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 (2012: None).

The following is a description of the determination of fair value for assets which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the assets.

Investments carried at fair value through profit or loss

Investments carried at fair value through profit and loss are listed equity instruments in local as well as international exchanges. Valuations are based on market prices as quoted in the exchange.

Available for sale investments

The revaluation gains/losses of which are recognised through equity, comprise long term strategic investments in listed equities and companies. Listed equity valuations are based on market prices as quoted in the exchange. For companies, the financial statements provide the valuations of these investments which are arrived at primarily by discounted cash flow analysis. Fair value of the unquoted ordinary shares has been estimated using DCF model and Price Earning Multiple basis valuation. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility and price earnings multiples. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

31 Comparative figures

Certain reclassifications have been made to the comparative figures as of 31 December 2012 to comply with the current period classification. These reclassifications did not have any impact on profit, earning per share or retained earnings of the prior period. Accordingly the consolidated statements of financial position and income for the year ended 31 December 2012 have not been separately presented. The main reclassifications were:

<u>Consolidated statement of financial position:</u>

a) *statutory deposit* is now disclosed in a separate line in the consolidated statement of financial position instead of being clubbed with *bank deposits*.
b) recoveries of claims from other insurance companies were reclassified from *insurance and other receivables* to *re-insurance contract assets*.
c) *prepayments* is now disclosed in a separate line in the consolidated statement of financial position instead of being clubbed under *insurance and other receivables*.
d) *insurance and other payables, re-insurance deposit retained, and accruals and deferred income* were previously clubbed together under *trade and other payables* are now disclosed in separate lines in the consolidated statement of financial position.

31 Comparative figures (continued)

Consolidated statement of profit or loss:

e) presentation of premium income earned was changed to show the *gross premium written* and the *change in unearned premium provision* instead of the *insurance premium revenue* in net basis.
f) presentation of re-insurance ceded was changed to show the *reinsurance premiums ceded* and the *change in unearned premium provision* instead of the *insurance premium ceded to reinsurance* in net basis
g) the amount of the *change in outstanding claims recoveries* was reflected in the *reinsurance share of claims incurred* instead of being reflected as part of *gross claims incurred.*
h) *expenses for marketing and administrative* and *amortisation of prepaid rent* were clubbed together under *operating expenses.*
i) *Investment income, net fair value gain on investment properties, net realised loss on financial assets, net fair value gain on financial assets at FVTPL net rental income from investment properties and other income/(expenses)* were clubbed together under *net investment income* to comply with the current period classifications. Details are provided under note 21 to the consolidated financial statements.
j) *Other (expense)/income* are now disclosed in a separate line in the consolidated statement of profit or loss instead of being clubbed under *expenses for marketing and administration.*

Segment information:

- *Other (expense)/income* were allocated previously under the corporate segment but now reported as unallocated in the current year.
- Bank and cash balances were allocated previously between insurance and corporate segments but now reported as unallocated in the current year.

		As previously reported AED	Reclassifications AED	As reclassified AED
Consolidated statement of financial position as at 31 December 2012				
Statutory deposit	(a)	-	10,000,000	10,000,000
Bank deposits with an original maturity of more than 3 months	(a)	11,692,500	(10,000,000)	1,692,500
Insurance and other receivables	(b)	100,084,100	(6,985,500)	93,098,600
Reinsurance contract assets	(b)	80,011,828	5,857,358	85,869,186
Prepayments	(c)	-	1,128,142	1,128,142
Trade and other payables	(d)	94,270,569	(94,270,569)	-
Insurance and other payables	(d)	-	81,979,590	81,979,590
Re-insurance deposit retained	(d)	-	6,556,438	6,556,438
Accruals and deferred income	(d)	-	5,734,541	5,734,541

Notes to the consolidated financial statements
for the year ended 31 December 2013 (continued)

31 Comparative figures (continued)

		As previously reported AED	Reclassifications AED	As reclassified AED
Consolidated statement of profit or loss for the year ended 31 December 2012				
Gross premium written	(e)	-	139,655,621	139,655,621
Change in unearned premium provision of gross premiums	(e)	-	67,372	67,372
Insurance premium revenue	(e)	139,722,993	(139,722,993)	-
Reinsurance premiums ceded	(f)	-	(59,925,631)	(59,925,631)
Change in unearned premium provision of reinsurance premiums	(f)	-	(2,725,864)	(2,725,864)
Income premium ceded to reinsurers	(f)	(62,651,495)	62,651,495	-
Gross claims incurred (insurance claims and loss adjustment expenses)	(g)	(60,326,694)	5,445,067	(54,881,627)
Reinsurance share of claims incurred (insurance claims and loss adjustment expenses recovered from reinsurers)	(g)	9,586,059	(5,445,067)	4,140,992
Operating expenses	(h)	-	(44,223,970)	(44,223,970)
Other expenses	(j)	-	(5,014,801)	(5,014,801)
Other income	(j)	-	1,153,435	1,153,435
Expenses for marketing and administration	(h)&(j)	(43,365,131)	43,365,131	-
Amortisation of prepaid rent	(h)	(4,720,205)	4,720,205	-
Net investment income	(i)	-	43,750,346	43,750,346
Investment income	(i)	12,245,005	(12,245,005)	-
Net fair value loss on investment properties	(i)	(12,404,424)	12,404,424	-
Net realised loss on financial assets	(i)	(1,103,219)	1,103,219	-
Net fair value gain on financial assets at fair value through profit or loss	(i)	33,489,055	(33,489,055)	-
Net rental income for investment property	(i)	10,114,168	(10,114,168)	-
Other income/(expenses)	(i)	1,409,761	(1,409,761)	-

32 Approval of consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 March 2014.