

**OMAN INSURANCE COMPANY P.S.C.  
AND SUBSIDIARIES**

**Review report and interim  
financial information for the  
nine months period ended 30 September 2012**

## **OMAN INSURANCE COMPANY P.S.C. AND SUBSIDIARIES**

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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of  
Oman Insurance Company P.S.C. and Subsidiaries  
Dubai  
United Arab Emirates

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Oman Insurance Company P.S.C. (the "Company") and Subsidiaries (together referred to as the "Group") as at 30 September 2012 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting." Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of review*

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

### *Conclusion*

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

Deloitte & Touche (M.E.)



Samir Madbak  
Registration No. 386  
21 October 2012

**Condensed consolidated statement of financial position  
At 30 September 2012**

		30 September 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
	Notes		
<b>ASSETS</b>			
Property and equipment		129,745	131,614
Investment properties		285,778	315,778
Goodwill	16	26,588	-
Financial investments		1,306,042	1,453,020
Statutory deposits		23,538	23,538
Reinsurance contract assets	4	1,100,571	972,244
Insurance receivables		1,006,253	913,888
Prepayments and other receivables		100,572	96,580
Bank balances and cash		951,540	679,958
<b>Total assets</b>		<b>4,930,627</b>	<b>4,586,620</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	5	461,872	419,884
Reserves	6	1,228,624	1,228,624
Cumulative changes in fair value of securities		(338,916)	(548,765)
Foreign currency translation reserve		(464)	-
Retained earnings		201,849	374,157
<b>Equity attributable to Owners of the Company</b>		<b>1,552,965</b>	<b>1,473,900</b>
Non-controlling interests		14,753	-
<b>Total equity</b>		<b>1,567,718</b>	<b>1,473,900</b>
<b>Liabilities</b>			
End of service benefits		36,627	39,146
Bank borrowings	7	203,520	388,769
Insurance contract liabilities	4	2,377,482	1,945,112
Reinsurance deposits retained		122,864	141,166
Insurance payables		496,078	492,934
Other payables		126,338	105,593
<b>Total liabilities</b>		<b>3,362,909</b>	<b>3,112,720</b>
<b>Total equity and liabilities</b>		<b>4,930,627</b>	<b>4,586,620</b>

.....  
Abdul Aziz Abdulla Al Ghurair  
Chairman

.....  
Patrick Choffel  
Chief Executive Officer

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

**Condensed consolidated income statement (unaudited)  
for the nine months period ended 30 September 2012**

	Three months period ended 30 September		Nine months period ended 30 September	
	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000
Gross insurance premium revenue	461,730	455,156	1,845,557	1,865,214
Less: Insurance premium ceded to reinsurers	(221,073)	(228,618)	(961,076)	(1,009,960)
Net retained premium revenue	240,657	226,538	884,481	855,254
Net change in unearned premium	35,275	30,006	(48,012)	21,914
<b>Net insurance premium revenue</b>	<b>275,932</b>	<b>256,544</b>	<b>836,469</b>	<b>877,168</b>
Gross claims settled	(269,756)	(249,195)	(888,552)	(815,187)
Insurance claims recovered from reinsurers	129,583	122,357	434,362	442,006
<b>Net claims settled</b>	<b>(140,173)</b>	<b>(126,838)</b>	<b>(454,190)</b>	<b>(373,181)</b>
Net change in outstanding claims and additional reserves	13,290	(6,765)	2,732	(40,329)
<b>Net claims incurred</b>	<b>(126,883)</b>	<b>(133,603)</b>	<b>(451,458)</b>	<b>(413,510)</b>
Excess of loss reinsurance premium	(15,008)	(9,301)	(40,944)	(30,884)
Policies surrendered and maturities paid	(7,098)	(4,569)	(20,009)	(17,431)
Reinsurance commission income	35,638	45,234	141,121	138,029
Commission expenses	(40,739)	(38,517)	(144,598)	(165,754)
General and administrative expenses relating to underwriting activities	(57,017)	(47,562)	(165,737)	(141,222)
Insurance business fees	(1,822)	(1,675)	(7,037)	(7,018)
Other income relating to underwriting activities	7,673	9,968	24,596	24,335
	(78,373)	(46,422)	(212,608)	(199,945)

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

**Condensed consolidated income statement (unaudited)  
for the nine months period ended 30 September 2012 (continued)**

	Three months period ended 30 September		Nine months period ended 30 September	
	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000
Underwriting profit before movements in life assurance fund	<b>70,676</b>	76,519	<b>172,403</b>	263,713
Increase in life assurance fund	<b>(16,012)</b>	(4,145)	<b>(40,560)</b>	(13,683)
<b>Net underwriting profit</b>	<b>54,664</b>	72,374	<b>131,843</b>	250,030
Net investment income/(loss)	<b>11,084</b>	(41,224)	<b>46,911</b>	16,256
Finance costs	<b>(4,291)</b>	(9,426)	<b>(14,935)</b>	(28,886)
Impairment of property and equipment	-	-	-	(70,000)
Other expenses – net	<b>(5,054)</b>	(2,514)	<b>(15,783)</b>	(17,096)
<b>Profit before tax</b>	<b>56,403</b>	19,210	<b>148,036</b>	150,304
Income tax expenses	<b>(1,118)</b>	-	<b>(1,118)</b>	-
<b>Profit for the period</b>	<b>55,285</b>	19,210	<b>146,918</b>	150,304
<b>Attributable to:</b>				
Owners of the Company	<b>59,499</b>	19,210	<b>151,132</b>	150,304
Non-controlling interests	<b>(4,214)</b>	-	<b>(4,214)</b>	-
	<b>55,285</b>	19,210	<b>146,918</b>	150,304
<b>Basic earnings per share (AED) (Note 8)</b>	<b>0.13</b>	0.04	<b>0.33</b>	0.33

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

**Condensed consolidated statement of comprehensive income (unaudited)  
for the nine months period ended 30 September 2012**

	Three months period ended 30 September		Nine months period ended 30 September	
	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000
Profit for the period	55,285	19,210	146,918	150,304
<b>Other comprehensive income/(loss):</b>				
Net fair value gains/(losses) on investments designated at FVTOCI	6,570	7,167	(78,391)	(33,245)
Profit on sale of investments designated at FVTOCI	11,237	-	6,788	589
Exchange differences on translating foreign operations	(478)	-	(478)	-
<b>Total other comprehensive income/(loss) for the period</b>	<b>17,329</b>	<b>7,167</b>	<b>(72,081)</b>	<b>(32,656)</b>
<b>Total comprehensive income for the period</b>	<b>72,614</b>	<b>26,377</b>	<b>74,837</b>	<b>117,648</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	76,842	26,377	79,065	117,648
Non-controlling interests	(4,228)	-	(4,228)	-
	<b>72,614</b>	<b>26,377</b>	<b>74,837</b>	<b>117,648</b>

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

**Condensed consolidated statement of changes in equity  
for the nine months period ended 30 September 2012**

	Share capital AED '000	Reserves AED '000	Cumulative changes in fair value of securities AED '000	Foreign currency translation reserve AED '000	Retained earnings AED '000	Equity attributable to Owners of the Company AED '000	Non- controlling interests AED '000	Total AED '000
Balance at 1 January 2011 (audited)	419,884	1,189,648	(470,577)	-	308,886	1,447,841	-	1,447,841
Profit for the period	-	-	-	-	150,304	150,304	-	150,304
Other comprehensive loss for the period	-	-	(33,245)	-	589	(32,656)	-	(32,656)
Total comprehensive income for the period	-	-	(33,245)	-	150,893	117,648	-	117,648
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	4,500	-	(4,500)	-	-	-
Balance at 30 September 2011 (unaudited)	419,884	1,189,648	(499,322)	-	455,279	1,565,489	-	1,565,489
Balance at 1 January 2012 (audited)	419,884	1,228,624	(548,765)	-	374,157	1,473,900	-	1,473,900
Non-controlling interests arising on acquisition of a subsidiary (Note 16)	-	-	-	-	-	-	(25,545)	(25,545)
Profit for the period	-	-	-	-	151,132	151,132	(4,214)	146,918
Other comprehensive loss for the period	-	-	(78,391)	(464)	6,788	(72,067)	(14)	(72,081)
Total comprehensive income for the period	-	-	(78,391)	(464)	157,920	79,065	(4,228)	74,837
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	288,240	-	(288,240)	-	-	-
Additional contribution attributable to non- controlling interests	-	-	-	-	-	-	44,526	44,526
Issue of bonus shares (Note 5)	41,988	-	-	-	(41,988)	-	-	-
<b>Balance at 30 September 2012 (unaudited)</b>	<b>461,872</b>	<b>1,228,624</b>	<b>(338,916)</b>	<b>(464)</b>	<b>201,849</b>	<b>1,552,965</b>	<b>14,753</b>	<b>1,567,718</b>

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

**Condensed consolidated statement of cash flows (unaudited)  
for the nine months period ended 30 September 2012**

	<b>Nine months period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Cash flows from operating activities</b>		
Profit for the period	<b>146,918</b>	150,304
<b>Adjustments for:</b>		
Depreciation of property and equipment	<b>8,460</b>	10,738
Fair value adjustments on investment properties	<b>30,000</b>	35,000
Unrealised (gains)/losses on sale of financial investments at FVTPL	<b>(23,655)</b>	20,060
Impairment of property and equipment	<b>-</b>	70,000
Provision for end of service benefits	<b>3,681</b>	5,731
Allowance for doubtful debts	<b>-</b>	12,500
Dividends income from financial investments at FVTPL and FVTOCI	<b>(42,579)</b>	(38,716)
Interest income from deposits and financial investments at FVTPL	<b>(16,088)</b>	(19,839)
Realised gains on sale of financial investments at FVTPL	<b>(3,680)</b>	(64)
Finance costs	<b>14,935</b>	28,886
	<hr/>	<hr/>
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>117,992</b>	274,600
(Increase)/decrease in reinsurance contract assets	<b>(113,360)</b>	30,222
Increase in insurance and other receivables	<b>(33,776)</b>	(103,417)
Increase in insurance contract liabilities	<b>255,556</b>	46,570
Increase/(decrease) in insurance and other payables	<b>668</b>	(21,679)
Decrease in reinsurance deposits retained	<b>(18,302)</b>	(7,787)
	<hr/>	<hr/>
<b>Net cash generated from operations</b>	<b>208,778</b>	218,509
End of service benefits paid	<b>(6,200)</b>	(3,566)
Finance costs paid	<b>(16,557)</b>	(27,963)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>186,021</b>	186,980
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchases of financial investments at FVTOCI	<b>(7,100)</b>	(4,298)
Proceeds from sale of financial investments at FVTOCI	<b>368,515</b>	10,636
Purchases of financial investments at FVTPL	<b>(446,758)</b>	(117,520)
Proceeds from sale of financial investments at FVTPL	<b>188,054</b>	24,468
Net cash inflow on acquisition of a subsidiary	<b>71,930</b>	-
Dividends income from financial investments at FVTPL and FVTOCI	<b>42,579</b>	38,716
Interest income from deposits and financial investments at FVTPL	<b>13,401</b>	13,094
Purchase of property and equipment	<b>(3,859)</b>	(5,791)
Advance for investment properties	<b>-</b>	(35,716)
Decrease in term deposits maturing after 3 months	<b>80,724</b>	26,975
	<hr/>	<hr/>
<b>Net cash generated by/(used in) investing activities</b>	<b>307,486</b>	(49,436)

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

**Condensed consolidated statement of cash flows (unaudited)  
for the nine months period ended 30 September 2012 (continued)**

	<b>Nine months period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Cash flows from financing activities</b>		
Additional contribution by non-controlling interests	<b>44,526</b>	-
Net decrease in bank borrowings	<b>(175,000)</b>	(68,939)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(130,474)</b>	(68,939)
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>363,033</b>	68,605
Cash and cash equivalents at beginning of the period	<b>47,130</b>	63,389
Effects of exchange rate changes on the balances of cash held in foreign currency	<b>(478)</b>	-
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period (Note 9)</b>	<b>409,685</b>	131,994
	<hr/> <hr/>	<hr/> <hr/>

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

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012**

**1. General information**

Oman Insurance Company P.S.C., (the “Company”) which was established by an Amiri Decree issued by His Highness, The Ruler of Dubai, is a public shareholding company and is registered under Federal Law No. 8 of 1984 (as amended) relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of Its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E. under registration number 9. The Company is a subsidiary of Mashreq Bank (PSC) incorporated in the Emirate of Dubai. Its registered head office is at P.O. Box 5209, Dubai, United Arab Emirates. The Group comprises Oman Insurance Company P.S.C and its subsidiaries (Note 3.2). The Company’s ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The licensed activities of the Group are issuing short term and long term insurance contracts and trading in quoted securities. The insurance contracts are issued in connection with property, motor, aviation and marine risks (collectively known as general insurance) and individual life (participating and non-participating), group life, personal accident, medical and investment linked funds.

The Group also operates in Oman and Qatar through branches.

**2. Standards and Interpretations in issue but not yet effective and not early adopted**

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

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
<ul style="list-style-type: none"> <li>Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards relating to accounting for government loans at below market interest rate.</li> </ul>	1 January 2013
<ul style="list-style-type: none"> <li>IFRS 10 <i>Consolidated Financial Statements</i>* uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly, IAS 27 <i>Separate Financial Statements</i>* and IAS 28 <i>Investments in Associates and Joint Ventures</i>* have been amended for the issuance of IFRS 10.</li> </ul>	1 January 2013
<ul style="list-style-type: none"> <li>IFRS 11 <i>Joint Arrangements</i>* establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly, IAS 28 <i>Investments in Associates and Joint Ventures</i> has been amended for the issuance of IFRS 11.</li> </ul>	1 January 2013

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**2. Standards and Interpretations in issue but not yet effective and not early adopted  
(continued)**

<b>New and revised IFRSs (continued)</b>	<b>Effective for annual periods beginning on or after</b>
<ul style="list-style-type: none"> <li>• IFRS 12 <i>Disclosure of Interests in Other Entities</i>* combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure Standard.</li> </ul>	1 January 2013
<ul style="list-style-type: none"> <li>• Amendments to IFRS 10, IFRS 11 and IFRS 12 transition guidance issued in June 2012.</li> </ul>	When IFRS 10, IFRS 11 and IFRS 12 are first adopted
<ul style="list-style-type: none"> <li>• IFRS 13 <i>Fair Value Measurement</i> issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.</li> </ul>	1 January 2013
<ul style="list-style-type: none"> <li>• Amendments to IAS 1 – <i>Presentation of Other Comprehensive Income</i>. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.</li> </ul>	1 July 2012
<ul style="list-style-type: none"> <li>• Annual Improvements 2009 – 2011 Cycle covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.</li> </ul>	1 January 2013
<ul style="list-style-type: none"> <li>• Amendments to IAS 19 <i>Employee Benefits</i> eliminate the “corridor approach” and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.</li> </ul>	1 January 2013
<ul style="list-style-type: none"> <li>• IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>.</li> </ul>	1 January 2013
<ul style="list-style-type: none"> <li>• Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> enhancing disclosures about offsetting of financial assets and liabilities.</li> </ul>	1 January 2013
<ul style="list-style-type: none"> <li>• Amendments to IAS 32 <i>Financial Instruments: Presentation</i> relating to application guidance on the offsetting of financial assets and financial liabilities.</li> </ul>	1 January 2014

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**2. Standards and Interpretations in issue but not yet effective and not early adopted (continued)**

\* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2013 or as and when they are applicable and adoption of these new standards, interpretations and amendments may 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 Basis of preparation**

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

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group's transactions are denominated and all values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties.

The Group presents its condensed consolidated statement of financial position broadly in order of liquidity.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2011. In addition, results for the nine months period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The accounting policies, presentation and methods in these condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 31 December 2011.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investment properties, property and equipment and financial assets have been disclosed in these condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**3. Summary of significant accounting policies (continued)**

**3.2 Basis of consolidation**

The condensed consolidated financial statements of Oman Insurance P.S.C. and Subsidiaries (the “Group”) incorporate the condensed financial statements of the Company and the entities controlled by the Company (its Subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses and profits and losses resulting from the intra-company transactions are eliminated in full on consolidation.

Income and expenses of subsidiaries acquired or disposed off during the period are included in the condensed consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. 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 condensed financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Details of the Company’s subsidiaries at 30 September 2012 are as follows:

<b>Name of subsidiary</b>	<b>Place of incorporation and operation</b>	<b>Proportion of legal ownership interest</b>	<b>Proportion of voting power held</b>	<b>Principal activity</b>
Equator Trading Enterprises L.L.C.*	Dubai - U.A.E.	99.97%	100%	Trading in quoted securities.
Dubai Group Sigorta A.S.	Istanbul – Turkey	51%	51%	Issuing short-term and long-term insurance contracts

\* The Company holds the remaining equity in Equator Trading Enterprises L.L.C. beneficially through nominee arrangements.

Dubai Group Sigorta A.S. was acquired in the current period (Note 16).

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**3. Summary of significant accounting policies (continued)**

**3.3 Investment properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultant's or broker's quotes.

**3.4 Property and equipment**

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**3. Summary of significant accounting policies (continued)**

**3.5 Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*3.5.1 Classification of financial assets*

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

*3.5.2 Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised by applying the effective interest rate, except for short-term debt instruments when the recognition of interest would be immaterial.

*3.5.3 Cash and cash equivalents*

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

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**3. Summary of significant accounting policies (continued)**

**3.5 Financial assets (continued)**

*3.5.4 Insurance receivables, other receivables and statutory deposits*

Insurance receivables, other receivables and statutory deposits are measured 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.

*3.5.5 Financial assets at fair value through other comprehensive income (FVTOCI)*

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

*3.5.6 Financial assets at fair value through profit or loss (FVTPL)*

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition (see above).

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL.

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**3. Summary of significant accounting policies (continued)**

**3.5 Financial assets (continued)**

*3.5.6 Financial assets at fair value through profit or loss (FVTPL) (continued)*

A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss.

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.

*3.5.7 Foreign exchange gains and losses*

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in profit or loss.

*3.5.8 Impairment of financial assets*

Financial assets that are measured at amortised cost are assessed for 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 assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**3. Summary of significant accounting policies (continued)**

**3.5 Financial assets (continued)**

*3.5.8 Impairment of financial assets (continued)*

For certain categories of financial asset, such as insurance 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 Group'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 national or 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 amount of collateral and guarantee, 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 insurance receivables, where the carrying amount is reduced through the use of an allowance account. When an insurance 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*3.5.9 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 and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**3. Summary of significant accounting policies (continued)**

**3.6 Judgements and estimates**

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2011.

**3.7 Financial risk management**

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

**4. Insurance contract liabilities and re-insurance contract assets**

	<b>30 September 2012</b> <b>(unaudited)</b> <b>AED '000</b>	31 December 2011 <b>(audited)</b> <b>AED '000</b>
<b>Insurance liabilities</b>		
- Outstanding claims	<b>1,125,445</b>	961,511
- Additional reserve	<b>130,155</b>	125,805
- Life assurance fund	<b>142,037</b>	101,477
- Unearned premium	<b>831,037</b>	663,891
- Unit linked liabilities	<b>148,808</b>	92,428
	<hr/> <b>2,377,482</b> <hr/>	<hr/> 1,945,112 <hr/>
<b>Recoverable from re-insurers</b>		
- Outstanding claims	<b>(748,517)</b>	(657,586)
- Unearned premium	<b>(352,054)</b>	(314,658)
	<hr/> <b>(1,100,571)</b> <hr/>	<hr/> (972,244) <hr/>
<b>Insurance liabilities – net</b>		
- Outstanding claims	<b>376,928</b>	303,925
- Additional reserve	<b>130,155</b>	125,805
- Life assurance fund	<b>142,037</b>	101,477
- Unearned premium	<b>478,983</b>	349,233
- Unit linked liabilities	<b>148,808</b>	92,428
	<hr/> <b>1,276,911</b> <hr/> <hr/>	<hr/> 972,868 <hr/> <hr/>

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**5. Share capital**

	<b>30 September 2012 (unaudited) AED '000</b>	31 December 2011 (audited) AED '000
Authorised, issued and fully paid 461,872,125 shares of AED 1 each (31 December 2011: 419,883,750 shares of AED 1 each)	<b>461,872</b>	419,884

At the Annual General Meeting held on 22 March 2012, the Shareholders approved scrip dividends of 10%. The share capital was increased by AED 41,988 thousand as a result of the above.

**6. Reserves**

	<b>Statutory reserve AED '000</b>	<b>Strategic reserve AED '000</b>	<b>General reserve AED '000</b>	<b>Contingency reserve AED '000</b>	<b>Total AED '000</b>
Balance at 1 January 2011 (Audited)	185,532	303,750	698,170	2,196	1,189,648
Movement during the period	-	-	-	-	-
Balance at 30 September 2011 (Unaudited)	185,532	303,750	698,170	2,196	1,189,648
Balance at 1 January 2012 (Audited)	196,348	303,750	725,210	3,316	1,228,624
Movement during the period	-	-	-	-	-
<b>Balance 30 September 2012 (Unaudited)</b>	<b>196,348</b>	<b>303,750</b>	<b>725,210</b>	<b>3,316</b>	<b>1,228,624</b>

*6.1 Statutory Reserve*

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of net profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law.

*6.2 Strategic reserve*

The strategic reserve may be utilised for any purpose to be determined by a resolution of the Shareholders of the Company at an ordinary general meeting, on the recommendation of the Board of Directors.

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**6. Reserves (continued)**

*6.3 General reserve*

Annual transfers to the general reserve are made at the rate of 25% of the profit less Directors' remuneration for the year. The reserve is freely available for distribution.

*6.4 Contingency Reserve*

In accordance with Article 20 (2) (c) amended by Royal Decree No. 35/95 of the Oman Insurance Companies Law 1979 and in accordance with the Capital Market Authority's letter, CMA 4952/2005 dated 22 November 2005, 10% of the net outstanding claims of the Oman branch at the reporting date is transferred from retained earnings to a contingency reserve. In case of insufficient retained earnings or accumulated loss position, the transfer is adjusted against the head office current account balance. The reserve is not available for distribution.

**7. Bank borrowings**

	<b>30 September 2012 (unaudited) AED '000</b>	31 December 2011 (audited) AED '000
Long term loans	<b>203,520</b>	378,520
Bank overdraft	-	10,249
	<hr/> <b>203,520</b> <hr/>	<hr/> 388,769 <hr/>

Long term loans include the following:

- (a) An amount of AED 45,900 thousand (31 December 2011: AED 45,900 thousand) which carries interest at 1 month LIBOR + 2.25% and is available till the date of the disposal of collateralized investments.
- (b) An amount of AED 27,540 thousand (31 December 2011: AED 27,540 thousand) which carries interest at 3 month LIBOR + 2.25% and is available till the date of the disposal of collateralized investments.
- (c) An amount of AED 75,000 thousand (31 December 2011: AED 250,000 thousand) which carries interest at 3 month EIBOR + 3.5% and is repayable in installments of AED 25,000 thousand on each quarter.
- (d) Long term loans also include AED 55,080 thousand (31 December 2011: AED 55,080 thousand) which carries interest at 3 month USD LIBOR +2.00% and is repayable at the discretion of the Company and is available till the date of the disposal of collateralized investments managed by the lender. Management expects to repay this loan within three years time from 2011.
- (e) Bank overdraft carries interest at base lending rate + 1% and is repayable or renewable on yearly basis.

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**8. Basic earnings per share**

	Three months period ended 30 September		Nine months period ended 30 September	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Profit for the period attributable to Owners of the Company (AED '000)	<b>59,499</b>	19,210	<b>151,132</b>	150,304
Weighted average number of shares	<b>461,872,125</b>	461,872,125	<b>461,872,125</b>	461,872,125
Basic earnings per share (AED)	<b>0.13</b>	0.04	<b>0.33</b>	0.33

Basic earnings per share are calculated by dividing the profit for the period attributable to Owners of the Company by the number of weighted average shares outstanding at the end of the reporting period.

The weighted average number of shares at 30 September 2011 has been adjusted to reflect the issue of bonus shares during the period ended 30 September 2012.

**9. Cash and cash equivalents**

	Nine months period ended 30 September	
	2012 (unaudited) AED '000	2011 (unaudited) AED '000
Deposits with banks maturing within 3 months	<b>97,228</b>	147,771
Bank balances and cash	<b>312,457</b>	58,395
	<b>409,685</b>	206,166
Less: Bank overdraft	-	(74,172)
	<b>409,685</b>	131,994

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**10. Related party transactions**

Related parties include the Group's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

10.1 At the end of the reporting period, amounts due from/to related parties are included in the following balances:

	<b>30 September 2012</b> <b>(unaudited)</b> <b>AED '000</b>	31 December 2011 <b>(audited)</b> <b>AED '000</b>
Cash and bank balances	<b>513,137</b>	325,233
Statutory deposits	<b>10,000</b>	10,000
Net insurance receivable	<b>52,383</b>	32,758
Net insurance payable	<b>12,279</b>	2,110
Bank overdraft	-	10,249
Long term loans	<b>75,000</b>	250,000

10.2 Quoted shares designated as FVTOCI investments with carrying value of AED 82,421 thousand at 30 September 2012 (31 December 2011: AED 106,373 thousand) were registered in the names of certain shareholders and directors of the Group and third parties who are holding those shares in trust on behalf of the Group.

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

	<b>Three months period ended</b> <b>30 September</b>		<b>Nine months period ended</b> <b>30 September</b>	
	<b>2012</b> <b>(unaudited)</b> <b>AED '000</b>	2011 <b>(unaudited)</b> <b>AED '000</b>	<b>2012</b> <b>(unaudited)</b> <b>AED '000</b>	2011 <b>(unaudited)</b> <b>AED '000</b>
Premium	<b>23,769</b>	88,001	<b>141,769</b>	185,753
Claims	<b>21,100</b>	13,870	<b>62,923</b>	44,676
Finance costs	<b>1,706</b>	5,565	<b>7,338</b>	12,962
Commission paid	<b>2,000</b>	-	<b>2,000</b>	6,000
Investment – shares purchases	-	-	-	847
Bank borrowings - net	<b>25,000</b>	25,000	<b>175,000</b>	225,000

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

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**10. Related party transactions (continued)**

10.4 *Compensation of key management personnel*

	Three months period ended		Nine months period ended	
	30 September		30 September	
	2012	2011	2012	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED '000	AED '000	AED '000	AED '000
Director's fees	-	-	2,250	2,100
Salaries and benefits	598	512	1,535	1,746
End of service benefits	23	33	68	101
	<u>621</u>	<u>545</u>	<u>3,853</u>	<u>3,947</u>

**11. Contingent liabilities**

At 30 September 2012, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 39,967 thousand (31 December 2011: AED 35,285 thousand).

The Group, in common with the majority of insurers, is subject to litigation in the normal course of their business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's financial performance or financial position.

**12. Commitments**

	30 September 2012	31 December 2011
	(unaudited)	(audited)
	AED '000	AED '000
<i>12.1 Capital/purchase commitments</i>		
Commitments in respect of uncalled subscription of certain shares held as investments	18,975	34,892
Commitments in respect of purchase of investment properties	108	4,840
	<u>19,083</u>	<u>39,732</u>

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**12. Commitments (continued)**

*12.2 Operating lease commitments*

At the end of the reporting period, minimum lease commitments under non-cancellable operating lease agreements are as follows:

	<b>30 September 2012</b> <b>(unaudited)</b> <b>AED '000</b>	31 December 2011 <b>(audited)</b> <b>AED '000</b>
Within one year	<b>9,762</b>	10,470
Second to fifth years	<b>2,291</b>	7,143

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**13. Location of assets**

As required by Securities and Commodities Authority notification dated 12 October 2008, location of assets are disclosed below:

	30 September 2012 (unaudited)			31 December 2011 (audited)		
	In U.A.E. AED '000	In other countries AED '000	Total AED '000	In U.A.E. AED '000	In other countries AED '000	Total AED '000
Property and equipment	126,252	3,493	129,745	130,344	1,270	131,614
Investment properties	285,778	-	285,778	315,778	-	315,778
Financial investments designated at fair value through other comprehensive income (FVTOCI)	556,275	71,615	627,890	935,602	125,306	1,060,908
Financial investments at FVTPL	122,895	555,257	678,152	45,287	346,825	392,112
Bank balances and cash	738,166	213,374	951,540	571,008	108,950	679,958
	<u>1,829,366</u>	<u>843,739</u>	<u>2,673,105</u>	<u>1,998,019</u>	<u>582,351</u>	<u>2,580,370</u>

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**14. Segment information**

For management purposes, the Group is organized into three business segments of general insurance, life assurance and investment. The general insurance segment comprises motor, marine, fire, engineering and general accident. The life assurance segment includes life, medical, group life and personal accident. Investment comprises investments and cash management for the Group's own accounts. These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on arm's length basis. Segmental information is presented below:

	Nine month period ended 30 September (unaudited)					
	General insurance		Medical and life assurance		Total	
	2012 AED '000	2011 AED '000	2012 AED '000	2011 AED '000	2011 AED '000	2011 AED '000
Gross insurance premium	<b>916,053</b>	1,193,953	<b>929,504</b>	671,261	<b>1,845,557</b>	1,865,214
<b>Net underwriting profit</b>	<b>59,183</b>	194,569	<b>72,660</b>	55,461	<b>131,843</b>	250,030
Net investment income					<b>46,911</b>	16,256
Finance costs					<b>(14,935)</b>	(28,886)
Impairment of property and equipment					-	(70,000)
Other expenses - net					<b>(15,783)</b>	(17,096)
Profit before tax					<b>148,036</b>	150,304
Income tax					<b>(1,118)</b>	-
Profit for the period					<b>146,918</b>	150,304

	30 September 2012 (unaudited)			
	General insurance AED '000	Medical and life assurance AED '000	Investment AED '000	Total AED '000
Segment assets	<b>1,800,317</b>	<b>899,407</b>	<b>2,230,903</b>	<b>4,930,627</b>
Segment liabilities	<b>2,078,304</b>	<b>1,081,085</b>	<b>203,520</b>	<b>3,362,909</b>
Capital expenditure	<b>3,833</b>	<b>26</b>	-	<b>3,859</b>
Depreciation	<b>8,006</b>	<b>454</b>	-	<b>8,460</b>

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**14. Segment information (continued)**

	31 December 2011 (audited)			
	General insurance AED '000	Medical and life assurance AED '000	Investment AED '000	Total AED '000
Segment assets	1,553,120	642,123	2,391,377	4,586,620
Segment liabilities	2,008,680	725,520	378,520	3,112,720
Capital expenditure	4,629	1,958	35,715	42,302
Depreciation	10,026	331	-	10,357

**15. Seasonality of results**

Net investment income includes dividend income of AED 42,579 thousand for the nine month period ended 30 September 2012 (30 September 2011: AED 38,716 thousand), which is of a seasonal nature.

**16. Acquisition of a subsidiary**

On 13 August 2012, the Group acquired 51% interest in Dubai Group Sigorta A.Ş. a company established and registered in Istanbul, Turkey. Dubai Group Sigorta A.Ş. is engaged in the business of issuing short term and long term insurance contracts relating to general insurance. Dubai Group Sigorta A.Ş. was acquired by the Group with the objective of improving its overall geographical spread.

The interim condensed consolidated financial statements include the results of Dubai Group Sigorta A.Ş from the acquisition date to the period ended 30 September, 2012.

*16.1 Consideration transferred*

A nominal amount of AED 1 has been paid as purchase consideration to the previous shareholders of Dubai Group Sigorta A.Ş.

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**16. Acquisition of a Subsidiary (continued)**

*16.2 Assets acquired and liabilities assumed at the date of acquisition*

The fair values of the identifiable assets and liabilities of Dubai Group Sigorta A.Ş. as at the date of acquisition were:

	<b>AED '000 (unaudited)</b>
<b>Assets</b>	
Property and equipment	2,732
Insurance receivables	42,217
Other receivables	17,677
Reinsurance contract assets	14,967
Cash and bank balances	71,930
<b>Liabilities</b>	
Insurance contract liabilities	(176,814)
Insurance payables	(11,391)
Other payables and accruals	(13,451)
<b>Net (liabilities)/assets acquired</b>	<b>(52,133)</b>

The assets and liabilities presented above have been measured by management at their respective carrying values which approximate their fair values at the date of acquisition.

*16.3 Non-controlling interests*

Non-controlling interests (49%) that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's net assets.

	<b>AED '000 (unaudited)</b>
Net assets/(liabilities) acquired	(52,133)
<b>Proportionate share attributable to non-controlling interests (49%)</b>	<b>(25,545)</b>

**Notes to the condensed consolidated financial statements  
for the nine months period ended 30 September 2012 (continued)**

**16. Acquisition of a Subsidiary (continued)**

*16.4 Goodwill arising on acquisition*

	<b>AED '000 (unaudited)</b>
Fair value of identifiable net liabilities acquired	<b>52,133</b>
Less: Consideration transferred	-
: Non-controlling interests (at proportionate share)	<b>(25,545)</b>
<b>Goodwill arising on acquisition</b>	<b>26,588</b>

*16.5 Net cash inflow on acquisition*

	<b>AED '000 (unaudited)</b>
Consideration paid in cash	-
Cash and cash equivalent balances acquired	<b>71,930</b>
<b>Net cash inflow from the acquisition</b>	<b>71,930</b>

*16.6 Impact of acquisition on the results of the Group*

Included in the profit for the interim period is a loss of AED 8,600 thousand attributable to the subsidiary, Dubai Group Sigorta A.Ş. Revenue for the period includes AED 6,125 thousand in respect of the subsidiary, Dubai Group Sigorta A.Ş.

Had the acquisition of the subsidiary Dubai Group Sigorta A.Ş. been effected at 1 January 2012, the revenue of the Group from continuing operations for the nine months period ended 30 September 2012 would have been AED 1,940,549 thousand, and the profit for the same period would have been AED 104,283 thousand.

**17. Approval of condensed consolidated financial statements**

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 October 2012.