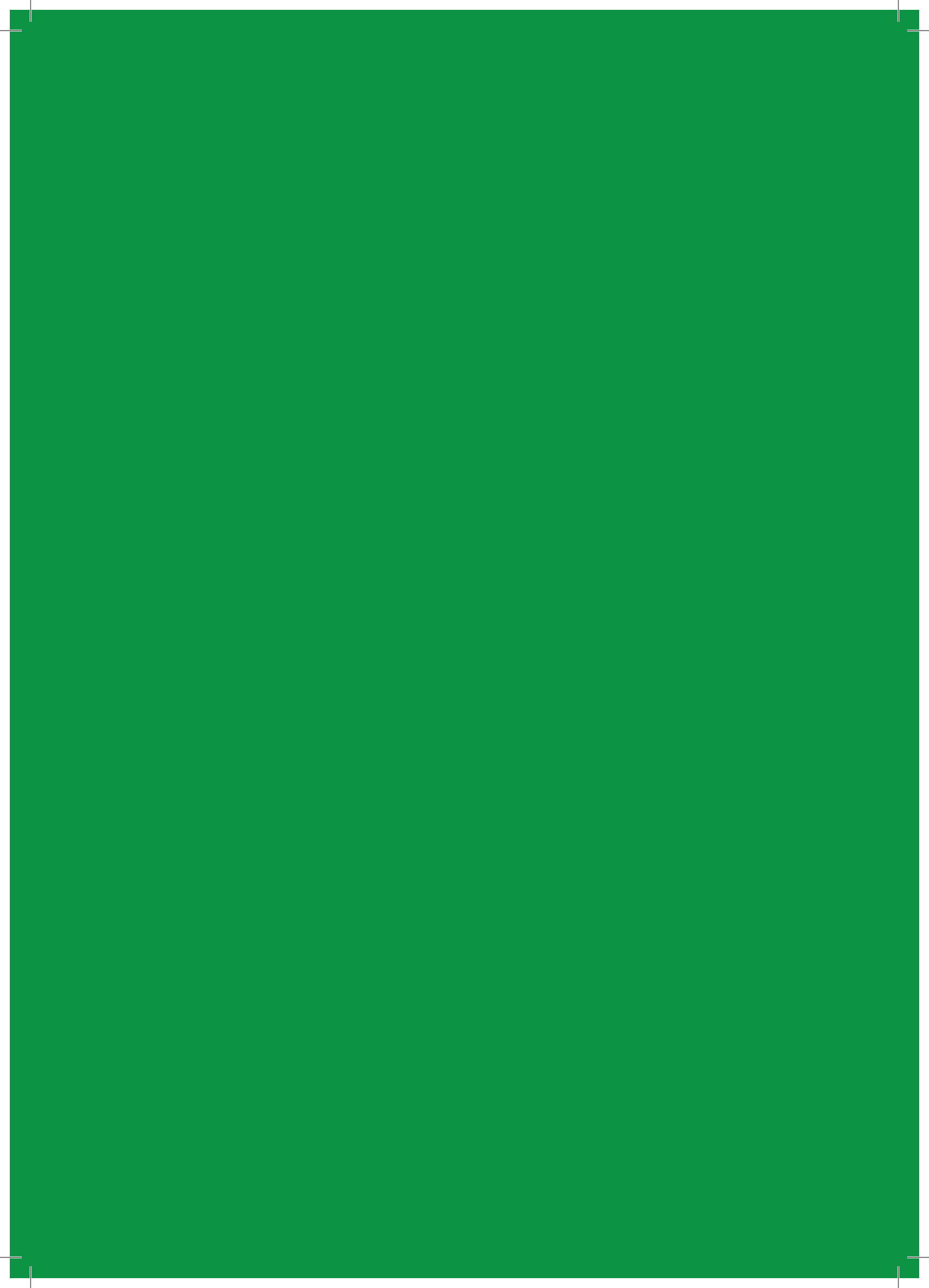




دار التأمين  
INSURANCE HOUSE  
ش.م.ع. - F.S.C







H.H. Sheikh Khalifa Bin Zayed Al Nahyan

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PRESIDENT OF THE UNITED ARAB EMIRATES



H.H. Sheikh Mohammed Bin Rashid Al Maktoum

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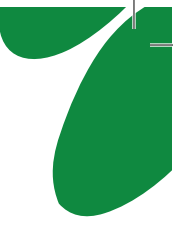
VICE-PRESIDENT AND PRIME MINISTER OF THE UAE,  
AND RULER OF DUBAI



H. H. General Sheikh Mohammed Bin Zayed Al Nahyan

---

CROWN PRINCE OF ABU DHABI AND DEPUTY SUPREME  
COMMANDER OF THE UAE ARMED FORCES



## INTRODUCTION

The UAE culture is characterized by several elements that have long been synonymous to its genuine history and inherent uniqueness in the Arabian Gulf region and the Arab world as a whole. These components, with their unique features and characteristics, have accompanied the name of the UAE wherever it has appeared, whether locally or globally.

Dates are among the most distinguishing aspects of the UAE culture. Over the years, and still to this day, they have been considered a wealth to the Emirati culture. Thanks to the tireless efforts of the UAE, dates have become an identifying factor of the Arabian identity, coupled with the distinctive trait of the desert. On the other hand, it is worth mentioning that the UAE is among the top producing countries of dates and the largest exporter globally.

In this context and based on its firm commitment to the UAE culture to which it belongs, and its deep passion for all the associating matters, Insurance House focuses in its Annual Report for the year 2013 on the various types of 'Rotab', the term that is assigned to the phase that precedes the final stage of date fruit ripening.





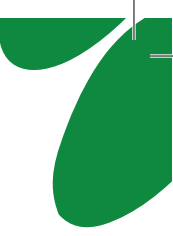
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INSURANCE HOUSE  
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CHAIRMAN'S STATEMENT	12
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Special thanks to the authorities of Abu Dhabi Food Control Authority, Khalifa International Date Palm Award and Ministry of Environment & Water for providing the photographs used in our Annual Report 2013.



برحي  
Barhi



# MISSION

TO BE ALERT TO OUR CLIENTS' NEEDS BY PROVIDING OUT-OF-THE-BOX INSURANCE SOLUTIONS THROUGH EXPERIENCED AND DEDICATED STAFF.

# VISION

INSURANCE HOUSE ASPIRES TO BE A LEADER IN ITS DOMAIN BY PROVIDING SUPERIOR INSURANCE SOLUTIONS TO ITS CLIENTS IN THE UAE MARKET.



## CHAIRMAN'S STATEMENT

With a great sense of pleasure, pride and privilege I present to you on behalf of the Board of Directors, the second Annual Report of Insurance House PSC.

At the outset, I would like to take a moment to thank our founders, shareholders and all those who joined forces to set-up and build Insurance House into a professional and profitable organization from the very first year of commencing operations. With this solid foundation, we are well on our way to further develop and grow Insurance House into a successful enterprise that is focused on exceeding customers' expectations and maximizing shareholders' wealth.

According to our estimates, Gross Non-life Premiums Underwritten in the UAE during 2013 grew by more than 5%. Government spending on strategic projects in the Energy, Tourism, Transportation and Infrastructure sectors along with sustained increase in population were the key drivers of insurance premium growth. With the Dubai Health Authority recently announcing the health insurance law, Local & Federal Governments announcing several new projects and the infrastructure boost leading to Expo 2020 should augur well for sustained premium growth, in 2014 and beyond.



**Bearing the above market scenario in mind, our strategic priorities are as follows:**

- (1) Grow top line - Gross Premiums Written without compromising on our prudent underwriting guidelines. Given the huge market size and our relatively small market share at the present time, accelerated annual growth in GPW over the coming 5 years is very much achievable.
- (2) Compete on the basis of superior Product & Service quality as opposed to Price. This is the only way to secure long term customer loyalty and to maintain robust profitable growth.
- (3) Continue to invest in human and technical resources, in addition to technology with a view to further enhance our underwriting and claims management capabilities.

For the financial year ended 31 December 2013, IH has earned a robust Net Profit of AED 9.56 million, which is 26.7% higher than the Net Profit of AED 7.54 million earned during the maiden financial year ended 31 December 2012, comprising of 20 months and 20 days. Total Comprehensive Profit for the 12 months ended 31 December 2013 was AED 14.38 million, which is more than double the Total Comprehensive Profit of AED 6.79 million registered during the previous reporting period. We are delighted with this remarkable performance by such a young enterprise, operating in the fiercely competitive UAE insurance sector. This is an evidence of the importance of investing in qualified human resources, state-of-the-art systems and a robust Policies & Procedures framework.

Gross Premiums Written (GPW) during the 12 month period ended 31 December 2013 totaled AED 99.13 million, which is 26.5% higher than the Gross Premiums Written during the previous reporting period ended 31 December 2012. Net Earned Premiums aggregated to AED 66.21 million, reflecting a growth of 54.2% over the previous reporting period. Net Earned Premiums as a percentage of GPW improved to 66.8% compared to 54.8% in the previous period. Net Underwriting Profit for 2013, after deducting Operating expenses was AED 11.38 million, which is 34.3% higher than the Net Underwriting Profit of AED 8.47 million registered during the previous reporting period. Net Underwriting Profit as a percentage of GPW improved to 11.5% compared to 10.8% in the previous reporting period.

Our Underwriting Profit from core insurance activities was complemented by robust and sustainable income generated from the well diversified proprietary investment portfolio. For the 12 months ended 31 December 2013, income from investing activities amounted to AED 18.98 million compared to AED 13.59 million for the previous reporting period, on an annualized basis. Since inception, IH's Investment Strategy continues to be well thought out, clearly documented and professionally managed.

Total Assets as of 31 December 2013 doubled to AED 254.61 million compared to AED 125.8 million as of 11 April 2011, being the date on which we commenced operations. Total Shareholders' Equity strengthened to AED 140.27 million as of 31 December 2013, compared to AED 126.68 million as of 31 December 2012.

The Company maintains a conservative approach to liquidity management. Cash and cash equivalents as at 31 December 2013 stood at AED 24.94 million compared to AED 17.21 million as at the end of the previous reporting period.

Our operating cost model is designed to be efficient and rapidly scalable in line with business growth. General & Administrative expenses for the 12 months ended 31 December 2013 were AED 20.79 million compared to AED 24.38 million during the previous reporting period covering nearly 21 months. This is reasonable for a full-fledged insurance operation covering our Abu Dhabi headquarters and 4 operational branches located in Dubai, Sharjah, Al Samha and Mussafah.

12.5% of the Company's current work force comprises of UAE nationals, manifesting our strong commitment to the development of UAE nationals in the insurance sector. This is ahead of the minimum requirement for employment of UAE nationals currently mandated by the UAE Insurance Authority for the year 2013.

During 2013, in recognition of our innovative products and outstanding performance, Insurance House received the 'Best Local Insurance Company' award from Banker Middle East Industry Awards. Also during 2013, our Motor Insurance product was adjudged as the 'Best Motor Insurance Product in the Middle East' by Banker Middle East Product Awards 2013.

As part of our continued commitment to the society, Insurance House took part in a number of Corporate Social Responsibility (CSR) activities during the year. Noteworthy CSR activities in 2013 include our participation in the Gulf Traffic Week, during which we awarded 5 "Road Star" Winners with complimentary annual motor insurance policies, in collaboration with the Insurance Authority and Ministry of Interior. Insurance House also organized three blood donation campaigns in Abu Dhabi and Dubai that witnessed significant participation by our Group employees as well as the general public.

Bearing in mind the need to invest for accelerated growth in the near term, the Board does not recommend any dividend payment.

Since inception, Insurance House has crossed several major milestones at a rapid pace. We have invested in the right people, processes and systems and have built a solid foundation for sustainable future growth. We look forward to 2014 with optimism and have accordingly set ambitious business growth targets. Our strategy is sound and is backed by a robust infrastructure that is geared to deliver profitable growth and maximized returns to our shareholders.

I take this opportunity to acknowledge and place on record my sincere appreciation and gratitude to all those who have relentlessly contributed to the Company's success since it launched its operations:

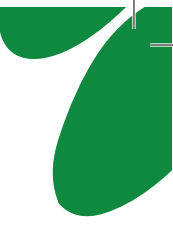
- My fellow Board members for their sharp insight and pro-active guidance,
- The UAE Insurance Authority, Ministry of Economy, the Securities & Commodities Authority and the Abu Dhabi Securities Exchange for their continued guidance and valuable support,
- Our shareholders, for their unwavering confidence and staunch loyalty,
- Our management & staff for their commendable teamwork, dedication and untiring efforts,
- And, our loyal customers for their continued patronage and trust.

On behalf of the Board of Directors,

**Mohammed Abdulla Alqubaisi**  
Chairman







## BOARD OF DIRECTORS



Mr. Mohammed Abdulla Alqubaisi  
**Chairman**



Mr. Eisa Saif Rashid Al Qubaisi  
**Vice Chairman**



Mr. Khaled Salem Al Muhairy  
**Board Member**



Ms. Alia Abdulla Al Mazrouei  
**Board Member**



Mr. Mohammed Wassim Khayata  
**Board Member**



Mr. Abdul Hamid Umer Taylor  
**Board Member**



Mr. T.K Raman  
**Board Member**



Mr. Ahmad Idris  
**Chief Executive Officer**

# INDEPENDENT AUDITOR'S REPORT

## *Report on the Financial Statements*

We have audited the accompanying financial statements of **Insurance House - P.S.C - Public Shareholding Company - Abu Dhabi**, which comprise the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in shareholders equity and statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes.

## *Management's Responsibility for the Financial Statements*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the 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 company'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 financial statements.

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Insurance House - P.S.C** - Public Shareholding Company - Abu Dhabi as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Report on Other and Legal Regulatory Requirements*

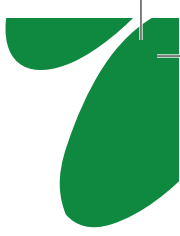
We also confirm that in our opinion, the financial statements include in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and UAE Federal Law No. (6) of 2007 concerning insurance companies and agents; that proper books of account has been maintained by the company. We have obtained all the information and explanations which we required for the purpose of our audit, and to the best of our knowledge and belief, no violations of the U.A.E. Commercial Companies Law of 1984 (as amended) or the Articles of Association of the company and UAE Federal Law No. (6) of 2007 concerning insurance companies and agents have occurred during the year which would have had a material effect on the business of the company or on its financial position.

**For Talal Abu Ghazaleh & Co. International**

**Firas Kilani**

Licensed Auditor No. 632

9 January 2014



# STATEMENT OF FINANCIAL POSITION

**FOR THE YEAR ENDED 31 DECEMBER 2013**



(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

EXHIBIT A

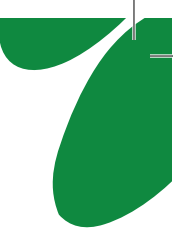
	NOTE	2013	2012
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	24,942,876	17,210,286
Bank fixed deposits	5	----	86,500,003
Re-insurance contract assets	15 (a)	11,438,268	6,271,181
Insurance and other receivables	6	54,062,670	24,957,306
Other current assets	7	4,533,757	4,820,257
Investments designated at fair value through profit and loss (FVTPL)	8 (a)	30,743,344	147,448,814
Total current assets		<u>125,720,915</u>	<u>287,207,847</u>
<b>NON-CURRENT ASSETS</b>			
Investments designated at fair value through other comprehensive income (FVTOCI)	9	14,643,548	7,496,781
Investments designated at amortized cost	10 (a)	92,346,150	----
Investment in associate	11	13,917,944	----
Statutory deposit	12	6,000,000	6,000,000
Property and equipment	13	1,979,958	1,861,773
Total non - current assets		<u>128,887,600</u>	<u>15,358,554</u>
<b>TOTAL ASSETS</b>		<u>254,608,515</u>	<u>302,566,401</u>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Borrowings from banks	14	46,121,250	127,981,946
Insurance contract liabilities	15 (b)	53,859,923	41,591,429
Insurance and other payables	16	13,951,177	6,041,010
Total current liabilities		<u>113,932,350</u>	<u>175,614,385</u>
<b>NON - CURRENT LIABILITY</b>			
End of service benefits obligation		405,897	268,311
Total non - current liability		<u>405,897</u>	<u>268,311</u>
<b>SHAREHOLDERS EQUITY</b>			
Share capital	17	120,000,000	120,000,000
Treasury shares	17	(794,961)	----
Statutory reserve		1,710,148	754,349
Investment revaluation reserve		3,392,353	(1,059,251)
Retained earnings		15,962,728	6,988,607
Net shareholders equity - Exhibit C		<u>140,270,268</u>	<u>126,683,705</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>		<u>254,608,515</u>	<u>302,566,401</u>

**Mr. Mohammed Alqubaisi**  
Chairman

**Mr. Ahmad Idris**  
Chief Executive Officer

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS





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STATEMENT  
OF INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2013

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

EXHIBIT B

	NOTE	For the year ended 31 December 2013	For the period from 11 April 2011 to 31 December 2012
<b>Revenues</b>			
Gross premiums written	24 (c )	<b>99,125,409</b>	78,390,326
Change in unearned premium provision		<b>(15,649,515)</b>	(25,826,064)
<b>Premium income earned</b>		<b>83,475,894</b>	52,564,262
Re-insurance premiums ceded		<b>(28,707,997)</b>	(15,892,065)
Change in re-insurance portion of unearned premium provision		<b>11,438,268</b>	6,271,181
<b>Net re-insurance premiums ceded</b>		<b>(17,269,729)</b>	(9,620,884)
<b>Net earned premiums</b>		<b>66,206,165</b>	42,943,378
Commission income		<b>1,516,267</b>	1,139,949
Claims recovered		<b>26,408,912</b>	13,364,295
Operating expenses	18	<b>(82,755,614)</b>	(48,975,825)
<b>Net underwriting profit</b>		<b>11,375,730</b>	8,471,797
General and administrative expenses	19	<b>(20,794,582)</b>	(24,379,951)
Other income	20	<b>18,976,845</b>	23,451,642
<b>Profit for the year/period - Exhibit D</b>		<b>9,557,993</b>	7,543,488
<b>Earnings per ordinary share</b>	21	<b>0.0796</b>	0.0629

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS





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STATEMENT OF  
COMPREHENSIVE  
INCOME

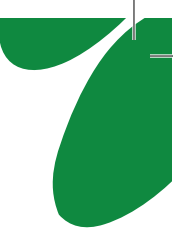
## FOR THE YEAR ENDED 31 DECEMBER 2013

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

EXHIBIT B CONTINUED

	NOTE	For the year ended 31 December 2013	For the period from 11 April 2011 to 31 December 2012
<b>Profit for the year/period</b>		<b>9,557,993</b>	7,543,488
Other comprehensive income/(loss):			
Gain arising during the year/period from sale of financial assets designated at fair value through other comprehensive income (FVTOCI)		<b>371,927</b>	303,907
Fair value gain/(loss) on investments designated at fair value through other comprehensive income (FVTOCI)	9 (a)	<b>4,451,604</b>	(1,059,251)
Other comprehensive gain/(loss) for the year/period		<b>4,823,531</b>	(755,344)
<b>Total comprehensive profit for the year/period - Exhibit C</b>		<b>14,381,524</b>	6,788,144





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# STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2013

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)  
EXHIBIT C

	Share capital	Treasury Shares	Statutory reserve	Investment revaluation reserve	Accumulated (loss)/retained earnings	Total
Shareholders equity at 11 April 2011	120,000,000	---	---	---	(104,439)	119,895,561
Profit for the period - Exhibit B	---	---	---	---	7,543,488	7,543,488
Other comprehensive income for the period - Exhibit B	---	---	---	(1,059,251)	303,907	(755,344)
Transferred to statutory reserve	---	---	754,349	---	(754,349)	---
Shareholders equity at 31 December 2012	120,000,000	---	754,349	(1,059,251)	6,988,607	126,683,705
Profit for the year - Exhibit B	---	---	---	---	9,557,993	9,557,993
Other comprehensive income for the year - Exhibit B	---	---	---	4,451,604	371,927	4,823,531
Shares buyback	---	(794,961)	---	---	---	(794,961)
Transferred to statutory reserve	---	---	955,799	---	(955,799)	---
<b>Shareholders equity at 31 December 2013 - Exhibit A</b>	<b>120,000,000</b>	<b>(794,961)</b>	<b>1,710,148</b>	<b>3,392,353</b>	<b>15,962,728</b>	<b>140,270,268</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



## STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED 31 DECEMBER 2013**

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)  
EXHIBIT D

	For the year ended	For the period from
	31 December 2013	11 April 2011 to
		31 December 2012

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Profit for the year/period - Exhibit B	9,557,993	7,543,488
Adjustment to reconcile net income to net cash provided by operating activities		
Net movement in re-insurance contract assets	(5,167,087)	(6,271,181)
Net movement in insurance contract liabilities	12,268,494	41,591,429
Realized profit from sales of investments	371,927	303,907
Depreciation of property and equipment	826,022	832,095
Provision for doubtful debts (written back) / charge	(1,529,992)	2,745,518
End of service benefits obligation	137,586	268,311
Interest income on fixed deposits and call account	(2,953,696)	(3,335,860)
Operating profit before working capital changes	13,511,247	43,677,707
Changes in the components of working capital:		
(Increase) in insurance and other receivables	(25,599,518)	(26,265,864)
Decrease/(Increase) in other current assets	286,500	(4,109,046)
Increase in insurance and other payables	7,291,049	4,626,084
Net cash flows (used in) / from operating activities	(4,510,722)	17,928,881

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Decrease / (increase) in bank fixed deposits	86,500,003	(18,182,737)
(Increase) in statutory deposit	----	(6,000,000)
Decrease / (increase) in investments designated at fair value through profit and loss (FVTPL)	116,705,470	(147,448,814)
(Increase) in investments designated at fair value through other comprehensive income (FVTOCI)	(2,695,163)	(8,556,032)
(Increase) in investments designated at amortized cost	(92,346,150)	----
(Increase) in investment in associate	(13,917,944)	----
Purchase of property and equipment	(944,207)	(2,681,700)
Interest income on fixed deposits and call account	2,953,696	3,335,860
Net cash flows from / (used in) investing activities	96,255,705	(179,533,423)

**CASH FLOWS FROM FINANCING ACTIVITIES :**

(Increase) in related parties receivables	(1,975,854)	(1,048,758)
(Decrease) / increase in borrowings from banks	(81,860,696)	127,981,946
Increase / (decrease) in related parties - payables	619,118	(4,491,633)
Purchase of treasury stocks	(794,961)	----
Net cash flows (used in) / from financing activities	(84,012,393)	122,441,555

**NET CASH FLOWS GENERATED /****(USED) DURING THE YEAR / PERIOD**

Cash and cash equivalents at beginning of the year / period	7,732,590	(39,162,987)
---	-----------	--------------

**CASH AND CASH EQUIVALENTS AT  
END OF THE YEAR / PERIOD - Note 4**

	17,210,286	17,210,286
--	------------	------------

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS





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Khenazi



## NOTES TO FINANCIAL STATEMENTS

### 01 STATUS AND ACTIVITIES

- a) Insurance House P.S.C is a public joint stock company registered and incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is engaged in providing all classes of Non-Life insurance solutions in accordance with UAE Federal Law No. 6 of 2007. The company was established on 8 December 2010 and commenced its operations on 10 April 2011. The company performs its activities through its head office in Abu Dhabi and branches located in Al Samha, Dubai, Sharjah and Al Mussafah.

The range of products and services offered by the company include but not limited to Motor, Workmen's Compensation, Property, Business Interruption, Money, Engineering, Plant and Equipment, General Accident, Liability, Marine, Travel and Medical insurances.

- b) The registered office of the company is P.O. Box 129921 Abu Dhabi, United Arab Emirates.
- c) The company's ordinary shares are listed in the Abu Dhabi Securities Exchange.



# 02

## THE FOLLOWING INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) HAVE BEEN ISSUED AS OF FINANCIAL STATEMENTS DATE

New and revised International Financial Reporting Standards (IFRS)		Effective for annual periods beginning on or after
IFRS 1	Amended by accounting policies changes revaluation basis as deemed cost, rate regulation.	1 July 2011
IFRS 1	Amended by severe hyperinflation and removal of fixed dates for first time adopters.	1 July 2011
IFRS 1	Amended by Government loans.	1 January 2013
IFRS 1	Amended by annual improvements 2009 - 2011 cycle.	1 January 2013
IFRS 7	Amendments 2010.	1 January 2011
IFRS 7	Amendments related to transfer of financial assets.	1 July 2011
IFRS 7	Amendments related to offsetting of financial assets and financial liabilities.	1 January 2013
IFRS 7	Amendments related to transition to IFRS 9 (or when IFRS 9 is first applied).	1 January 2015
IFRS 10	Consolidated financial statements.	1 January 2013
IFRS 10	Consolidated financial statements, joint arrangements and disclosure of interests in other entities.	1 January 2013
IFRS 10	Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27).	1 January 2014

New and revised International Reporting Standards (IFRS)		Effective for annual periods beginning on or after
IFRS 11	Joint arrangements.	1 January 2013
IFRS 12	Disclosure of interests in other entities.	1 January 2013
IFRS 13	Fair value measurement.	1 January 2013
IAS 1	Amendments to presentation of financial statements relating to grouping items recognized in other comprehensive income.	1 July 2012
IAS 12	Amendments to income taxes relating to deferred tax : recovery of underlying assets.	1 January 2012
IAS 16	Property plant and equipment - annual improvements.	1 January 2013
IAS 19	Employee benefits (revised 2011).	1 January 2013
IAS 24	Related party disclosures (revised in 2009).	1 January 2011
IAS 27	Separate financial statements (revised in 2011).	1 January 2013
IAS 28	Investment in associates and joint ventures (revised in 2011).	1 January 2013
IAS 32	Financial instrument : presentation (2012 amendments).	1 January 2013
IAS 32	Financial instrument : presentation (2011 amendments).	1 January 2014
IAS 34	Financial reporting (2012 amendments and improvements).	1 January 2013
IAS 39	Financial instruments recognition and measurement to be superseded by IFRS 9 financial instruments.	1 January 2015

The company has early adopted IFRS 9 Financial Instruments in these financial statements even though it is mandatory for annual periods beginning on or after 1 January 2015 only.



خلاص بمرحلة البسر  
Khalass In Albaser Phase



## 03

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. *Financial Statements Preparation Framework*

The financial statements have been prepared in accordance with International Financial Reporting Standards.

#### b. *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting standards (IFRS) and applicable requirements of UAE Federal Law No. 6 of 2007 concerning Insurance Companies and Agents.

#### c. *Basis of preparation*

The financial statements have been prepared on the historical cost basis, except for the measurement / revaluation of certain assets and financial instruments at a basis other than the historical cost. The significant accounting policies are set out below.

#### d. *Financial assets*

Financial assets are classified into the following specified categories: financial assets designated at fair value through other comprehensive income (FVTOCI), financial assets designated at fair value through profit or loss (FVTPL), financial assets designated at amortized cost, loans and receivables and cash and cash equivalents. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition or subsequent reclassification as the case may be.

##### i) *Cash and cash equivalents*

Cash comprises unrestricted cash in bank current and call accounts and fixed deposits less than three months from the date of placement. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

ii) *Insurance receivables*

Insurance receivables are stated at net realizable value. When an insurance receivable is 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 recognized in the statement of income.

iii) *Loans and receivables*

Loans and receivables include insurance and other receivables. Insurance receivables that either have or do not have a fixed or determinable payments and are not quoted in an active market, and other receivables are stated at net realizable value. The carrying values are not materially different from their fair value.

e. *Related parties*

Related parties are considered to be related because they have the ability to exercise control over the company or to exercise significant influence or joint control over the company's financial and operating decisions. Further, parties are considered related to the company when the company has the ability to exercise control, significant influence, or joint control over the financial and operating decisions of those parties. Transactions with related parties, normally, comprise of transfer of resources, services, or obligations between the parties. At the statement of financial position date, the related parties receivables and payables are stated at net realizable value.

f. *Financial assets designated at fair value through other comprehensive income (FVTOCI) and through profit and loss (FVTPL)*

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

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve.

Financial assets are classified as FVTPL when they are held for trading which means they have been acquired principally for the purpose of selling in the near future. Financial assets of FVTPL are stated at their value, subsequent gains and losses arising from changes in fair value are recognized in statement of income.

*g. Financial assets designated at amortized cost*

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition or subsequent reclassification as the case may be.

Financial assets designated at amortized cost include debt instruments with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to collect contractual cash flows representing periodic repayments of principal and / or interest.

Investments are measured at amortized cost using the effective interest method less impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period by discounting estimated future cash inflows through the expected life of the financial asset.

*h. Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each year. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the 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 financial assets designated at fair value through other comprehensive income (FVTOCI), if, in a subsequent year. The amount of the impairment loss decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investments at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of financial assets designated at fair value through other comprehensive income (FVTOCI), impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

*i. Investment in associate*

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control evidenced by the power to govern the financial and operating policies of that investee.

The company's investment in its associate is accounted for under the equity method of accounting, except when the investment is classified as held for sale, in which case it is recognized and measured at fair value less costs to sell. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the company's share of the net assets of the associate, less any impairment in the value of the investment. The statement of comprehensive income reflects the company's share of its associate results of operations. Losses of an associate in excess of the company's interest in that associate are not recognized, unless the company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is assessed, annually, for impairment.

Intra-company profit and loss transactions are eliminated to the extent of the company's interest in the relevant associate.

*j. Property and equipment*

The property and equipment are carried in the statement of financial position at their cost less any accumulated depreciation and any accumulated impairment.

The depreciation charge for each year is recognized in the statement of comprehensive income. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the company over the estimated useful life of the assets as follows:

Office equipment and decoration	4 years
Computers and software	3 - 4 years
Motor vehicles	4 years

The depreciation charge for each year is recognized in the statement of comprehensive income. The estimated useful lives, residual values and depreciation method are reviewed at each period-end, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with Note 3 (k).

On the subsequent derecognizing (sale or retirement) of the property and equipment, the resultant gain or loss, being the difference between the net disposal proceeds, if any, and the carrying amount, is included in the statement of comprehensive income.

*k. Impairment of tangible assets*

At each statement of financial position date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have been impaired. 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, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset. An impairment loss is recognized immediately in the statement of comprehensive income, 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 is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income 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.

*l. Financial liabilities*

Financial liabilities includes borrowings from banks, insurance and other payables. Insurance payables that have fixed or determinable payments that are not quoted in an active market and other payables are stated at cost. The carrying values are not materially different from their fair value.

*m. Borrowing costs*

Borrowing costs include interest on bank borrowings, amortization of discounts or premiums on borrowings, amortization of ancillary costs incurred in the arrangement of borrowings, and finance charges on finance leases.

Borrowing costs are expensed in the year in which they are incurred.

*n. End of service benefits obligation*

End of service benefits obligation for employees is accounted for in accordance with U.A.E. Labour Law.



*o. Treasury shares*

Treasury shares consist of the company's own shares that have been issued, subsequently repurchased by the company and not yet reissued or cancelled. These shares are accounted for using the cost method. Under the cost method the average cost of the share repurchased is shown as deduction from the total shareholder's equity. When these shares are reissued, gains are credited to a separate capital reserve in shareholders' equity, which is non-distributable. Any realized losses are charged directly to retained earnings. Gains realized on the sale of reissued shares are first used to offset any previously recorded losses in the order of retained earning and the capital reserve account. No cash dividend are paid on these shares.

*p. Statutory reserve*

Pursuant to the Company's Articles of Association, 10% of net profit for the year to be withheld annually and retained in the statutory reserve account. The deduction shall be suspended when the balance in this reserve account amounts to at least 50% of the company's capital and is not available for distribution for shareholders.

*q. Revenue recognition*

Recognition and measurement

Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and constitutions are fixed.

These contracts are casualty and property insurance contracts.

Casualty insurance contracts protects the company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

For all these insurance contracts, premium are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in force contracts that relates to unexpired risks at the financial position date is reported as the unearned premium liability.

Claims and loss adjustments expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contracts holders or third parties damaged by the contracts holders.

#### Re-insurance contracts held

Contracts entered into by the company with reinsurers under which the company is compensated for losses on one or more contracts issued by the company and that meet the classification requirements of reinsurance contracts are classified as re-insurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the company entitled under its re-insurance contracts held are recognized as re-insurance contract assets. The company assesses its re-insurance contract assets for impairment on a regular basis. If there is objective evidence that the re-insurance contract asset is impaired, the company reduces the carrying amount of the re-insurance contract assets to its recoverable amount and recognizes that impairment loss in the profit or loss. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

#### 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 financial position date and is estimated using the time proportionate method. The unearned premium calculated by the above method (after reducing the reinsurance share) complies with the minimum unearned premium amounts to be maintained pursuing the 25% and 40% method for marine and non - marine business respectively, as required by UAE Federal Law No. 6 of 2007, as amended, concerning insurance companies and agents. The unearned premium calculated by the time proportionate method accounts for the estimated acquisition costs incurred by the company to acquire policies and defers these over the life of the policy.

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.

#### Salvage and subrogation reimbursements

Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims.

#### Receivables and payables related to insurance contracts

Receivables and payables are recognized 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 company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in profit or loss.

#### Interest income

Interest income from bank call account, fixed deposits and bonds are accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

#### *r. Foreign currencies*

The financial statements are presented in the UAE Dirhams (AED) which is the company's functional currency. In preparing the financial statements, transactions in currencies other than the company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date (closing rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in previous financial statements shall be recognized in the statement of comprehensive income in the year in which they arise.

#### *s. Contingent liabilities*

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably. Contingent liabilities are not recognized in the financial statements.

#### *t. Critical accounting judgments and key sources of estimation uncertainty*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future periods if the revision affects both current and future periods.

*i) 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 company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the company will eventually pay for such claims. Estimates have to be made at the end of the reporting period both of the expected ultimate cost of claims reported as well as 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 company 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.

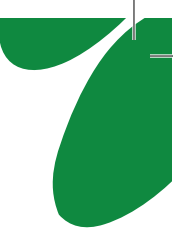
*ii) Liability adequacy test*

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

*iii) Provision for doubtful debts*

Management has estimated the recoverability of trade receivables and has considered the provision required for doubtful receivables, on the basis of prior experience and current economic situations.





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Dabbas



## 04 CASH AND CASH EQUIVALENTS

a) This item consists of the following:	2013	2012
Cash at banks - current accounts	1,727,249	4,033,411
Cash at bank - call account	3,215,627	8,176,875
Bank fixed deposit	20,000,000	5,000,000
<b>Total - Exhibit A &amp; D</b>	<b>24,942,876</b>	<b>17,210,286</b>

- b) Cash at banks includes current accounts and call account balances amounting to AED 4,307,964 as of 31 December 2013 which are held with two financial institutions which are related parties and is interest bearing (31 December 2012: AED 12,179,051).
- c) Bank fixed deposit amounting to AED 20,000,000 is with one bank located in United Arab Emirates.

## 05 BANK FIXED DEPOSITS

Fixed deposits amounting to AED "NIL" as of 31 December 2013 (AED 13,000,000 as of 31 December 2012 was held with a financial institution which is considered as a related party).





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Sabaka

## 06 INSURANCE AND OTHER RECEIVABLES

a) This item consists of the following:	2013	2012
Due from policy holders - Note 6 (b)	42,284,603	25,502,042
Claims receivables	9,584,981	1,053,024
Margin on letters of guarantee	361,000	78,000
Refundable deposits	23,000	21,000
Related parties - receivables - Note 23 (a)	3,024,612	1,048,758
Provision for doubtful debts - Note 6 (c )	(1,215,526)	(2,745,518)
<b>Net - Exhibit A</b>	<b>54,062,670</b>	<b>24,957,306</b>

- b) The company in the normal course of business deals with various brokers in UAE. Five customers' balances amounting to AED 15,202,413 constitute 35.95% of the outstanding receivables as of 31 December 2013 (31 December 2012 : AED 11,991,975, 47%, five customers).

c) *Provision for doubtful debts:*

This item consists of the following:	2013	2012
<b>Beginning balance</b>	<b>(2,745,518)</b>	----
<b>Written back / (charge) - Note 20</b>	<b>1,529,992</b>	(2,745,518)
<b>Ending balance - Note 6 (a)</b>	<b>(1,215,526)</b>	(2,745,518)

## 07 OTHER CURRENT ASSETS

This item consists of the following:	2013	2012
Accrued interest income	1,248,260	3,044,992
Prepaid expenses	3,285,497	1,775,265
<b>Total - Exhibit A</b>	<b>4,533,757</b>	<b>4,820,257</b>





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Zamli

## 08

### INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

- a) The company has chosen to designate the investments in quoted UAE shares at FVTPL and FVTOCI as per the accepted early adoption of IFRS 9 as it intends to hold the investments for short, medium to long-term period. The company has classified investments designated at fair value through profit and loss as follows:

	2013	2012
Equity investments designated at fair value through profit and loss - Note 8 (b)	30,743,344	5,642,190
Investments in fixed income securities - Note 8 (c )	-----	141,806,624
<b>Total - Exhibit A</b>	<b>30,743,344</b>	<b>147,448,814</b>

- b) EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)

*Changes in investments designated at fair value through income statement (FVTPL) for the year / period as follows:*

	2013	2012
Fair value at the beginning of the year/period	5,642,190	----
Additions during the year/period	15,967,370	5,229,497
Increase in fair value taken to income statement - Note 20 (a)	9,133,784	412,693
<b>Fair value at 31 December - Note 8 (a)</b>	<b>30,743,344</b>	<b>5,642,190</b>

c) INVESTMENTS IN FIXED INCOME SECURITIES (FVTPL)

*Changes in investments designated at fair value through income statement (FVTPL) for the year / period as follows:*

	2013	2012
Fair value at the beginning of the year/period	<b>141,806,624</b>	----
(Disposals)/additions during the year/period	<b>(141,806,624)</b>	138,665,877
Increase in fair value taken to income statement - Note 20 (a)	----	3,140,747
<b>Fair value at 31 December - Note 8 (a)</b>	<b>----</b>	<b>141,806,624</b>

- i) The geographical distribution of investments designated as held for trading with local and foreign companies (measured in US dollar) are as follows:

	2013	2012
Within UAE	----	49,225,486
Outside UAE	----	92,581,138
<b>Total - Exhibit A</b>	<b>----</b>	<b>141,806,624</b>

- ii) Investments in fixed income securities within UAE include an amount of AED 20,000,000 as of 31 December 2012 held with a financial institution which is considered as a related party.

## 09

### INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH - OTHER COMPREHENSIVE INCOME (FVTOCI)

- a) Changes in investments designated at fair value through other comprehensive income (FVTOCI) for the year / period as follows:

	2 0 1 3	2012
Fair value at the beginning of the year/period	7,496,781	----
Additions during the year/period	2,695,163	8,556,032
Increase/(Decrease) in fair value taken to other comprehensive income - Exhibit B	4,451,604	(1,059,251)
<b>Fair value at 31 December - Exhibit A</b>	<b>14,643,548</b>	<b>7,496,781</b>

- b) The investments mentioned above includes investments in Finance House P.J.S.C shares amounting to AED 7,655,048 (fair value) as of 31 December 2013 (31 December 2012 : AED 3,487,361). Finance House P.J.S.C is considered as one of the major shareholders.



# 10

## INVESTMENTS DESIGNATED AT AMORTIZED COST

a) This item consists of the following:	2013	2012
Investments designated at amortized cost	<b>92,346,150</b>	----
<b>Total - Exhibit A</b>	<b>92,346,150</b>	----

- b) The geographical distribution of investments designated at amortized cost with local and foreign companies (measured in US dollar) are as follows:

	2013	2012
Within UAE	<b>65,782,288</b>	----
Outside UAE	<b>26,563,862</b>	----
<b>Total - Exhibit A</b>	<b>92,346,150</b>	----

- c) Investments designated at amortized cost within UAE include an amount of AED 14,000,000 as of 31 December 2013 held with a financial institution which is considered as a related party.

## 11 INVESTMENT IN ASSOCIATE

During 2013, the company invested AED 13,917,944 in CAPM Investments P.J.S and treated it as investment in associate. Additionally, a call option agreement was entered with the major shareholder (FH) and income has been recorded in the books.

## 12 STATUTORY DEPOSIT

In accordance with the requirement of Federal Law No. 6 of 2007, concerning Insurance Companies and Agents, the company maintains a bank deposit amounting to AED 6,000,000 as of 31 December 2013 and it cannot be utilized without the consent of the UAE Insurance Regulatory Authority.

# 13

## PROPERTY AND EQUIPMENT

The details of cost, accumulated depreciation and respective carrying amounts of various categories of property and equipment are as follows:

<i>COST</i>	Office equipment and decoration	Computers and software	Motors vehicles	Total
At 1 January 2013	1,100,053	1,397,794	196,021	2,693,868
<b>Additions</b>	<b>787,119</b>	<b>157,088</b>	<b>----</b>	<b>944,207</b>
<b>At 31 December 2013</b>	<b>1,887,172</b>	<b>1,554,882</b>	<b>196,021</b>	<b>3,638,075</b>
 <b><u>ACCUMULATED DEPRECIATION</u></b>				
At 1 January 2013	(332,280)	(469,145)	(30,670)	(832,095)
<b>Charge for the year</b>	<b>(365,919)</b>	<b>(411,686)</b>	<b>(48,417)</b>	<b>(826,022)</b>
<b>At 31 December 2013</b>	<b>(698,199)</b>	<b>(880,831)</b>	<b>(79,087)</b>	<b>(1,658,117)</b>
 <b><u>NET BOOK VALUE</u></b>				
At 31 December 2012 - Exhibit A	767,773	928,649	165,351	1,861,773
<b>At 31 December 2013 - Exhibit A</b>	<b>1,188,973</b>	<b>674,051</b>	<b>116,934</b>	<b>1,979,958</b>

# 14

## BORROWINGS FROM BANKS

These loans are obtained against financial assets held at amortized cost. Loan payments will mature during the next 12 months, or will be automatically renewed for similar periods.

# 15

## INSURANCE CONTRACT LIABILITIES AND - RE-INSURANCE CONTRACT ASSETS

a) *Recoverable from re-insurance*

This item consists of the following:	2013	2012
Re-insurance contract assets	<b>11,438,268</b>	6,271,181
<b>Total - Exhibit A</b>	<b>11,438,268</b>	6,271,181

b) *Insurance contract liabilities*

This item consists of the following:	2013	2012
Claims reported unsettled	<b>12,860,573</b>	10,976,158
Unearned premiums reserve	<b>40,999,350</b>	30,615,271
<b>Total - Exhibit A</b>	<b>53,859,923</b>	41,591,429

# 16

## INSURANCE AND OTHER PAYABLES

This item consists of the following:

	2013	2012
Due to insurance and reinsurance companies	5,815,430	2,305,617
Claims payable	4,778,072	207,169
Accrued other expenses	1,734,802	2,524,469
Related parties - payables - Note 23 (b)	1,622,873	1,003,755
<b>Total - Exhibit A</b>	<b>13,951,177</b>	<b>6,041,010</b>

# 17

## SHARE CAPITAL

The share capital of the company as per Articles of Association is AED 120,000,000 (**Exhibit A**) divided into 120,000,000 shares of AED 1 par value per share.

During the current year, the company obtained the necessary regulatory approvals to undertake a share buy-back program. A total of 590,000 shares were purchased from the market at an average price of AED 1.347 per share amounting to AED 794,961.

# 18

## OPERATING EXPENSES

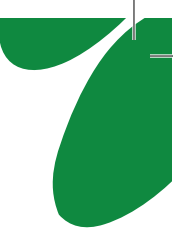
This item consists of the following:	For the year ended 31 December 2013	For the period from 11 April 2011 to 31 December 2012
Commission expenses	11,472,593	10,039,333
Claims paid	66,173,327	22,563,836
Movement in unsettled claims	3,513,439	15,176,157
Other expenses	1,596,255	1,196,499
<b>Total - Exhibit B</b>	<b>82,755,614</b>	<b>48,975,825</b>

# 19

## GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following:	For the year ended 31 December 2013	For the period from 11 April 2011 to 31 December 2012
Salaries and related benefits	12,461,583	13,413,463
Bank charges	131,441	98,087
Government fees	823,332	1,079,087
Telephone and postage	284,414	271,472
Depreciation of property and equipment - Note 13	826,022	832,095
Miscellaneous expenses	6,267,790	8,685,747
<b>Total - Exhibit B</b>	<b>20,794,582</b>	<b>24,379,951</b>





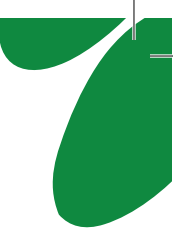
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## 20 OTHER INCOME

	For the year ended 31 December 2013	For the period from 11 April 2011 to 31 December 2012
a) This item consists of the following:		
Interest income on fixed deposits and call account	382,164	3,335,860
Interest from investments designated at amortized cost/fixed income securities (net)	5,554,259	7,727,763
Unrealized gain / (loss) on revaluation of investments (FVTPL)	9,133,784	3,553,440
Realized profit from sale of investments (FVTPL)	1,768,753	8,180,313
Dividend income on investment in financial assets	607,893	541,239
Provision for doubtful debts written back - Note 6 (c)	1,529,992	----
Others	-----	113,027
<b>Total - Exhibit B</b>	<b>18,976,845</b>	<b>23,451,642</b>

- b) Interest from investments designated at amortized cost and fixed income securities are after offsetting interest expenses from bank loans against these investments.



خلاص  
Khalass



## 21 EARNINGS PER ORDINARY SHARE

This item consists of the following:	For the year ended 31 December 2013	For the period from 11 April 2011 to 31 December 2012
Profit for the year / period - Exhibit B	<u>9,557,993</u>	<u>7,543,488</u>
Weighted number of shares in issue throughout the year / period	<u>120,000,000</u>	<u>120,000,000</u>
<b>Basic earnings per share - Exhibit B</b>	<u><u>0.0796</u></u>	<u><u>0.0629</u></u>

## 22 RISK MANAGEMENT

The company monitors and manages the financial risks relating to its business and operations. These risks include insurance risk, capital risk, credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The company seeks to minimize the effects of these risks by diversifying the sources of its capital. It maintains timely reports about its risk management function and monitors risks and policies implemented to mitigate risk exposures.

### a) *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 company 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 effected across the board by a change in any subset of the portfolio. The company 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 company 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.

#### b) *Capital risk*

The company's objectives when managing 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 company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- 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 relation to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the period. The company is subject to local insurance solvency regulations with which it has complied with during the year.

The table below summarizes the minimum regulatory capital of the company and the total capital held.

	2013	2012
Total shareholders' equity	140,270,268	126,683,705
Minimum regulatory capital	100,000,000	100,000,000

c) *Credit risk*

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

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

- Re-insurers' share of insurance liabilities.
- Amounts due from reinsurers in respects of claims already paid.
- Amounts due from insurance contract holders.
- Amounts due from insurance intermediaries (Note 6 (b))
- Amounts due from banks for its balances and fixed deposits (Note 4 (b, c),&5)

The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The company'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 company'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 finalization of any contract.

The company maintains record 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 company. 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 company.

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

d) *Interest rate risk*

Interest rate is the risk that the value of a financial instrument will fluctuate due to changes in market interest rate. The company is exposed to interest rate risk on call and fixed deposits, financial assets such as bonds and borrowings with banks. The interest rates are subject to periodic revisions.

e) *Market risk*

Market prices 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 instrument or its issue or factors affecting all instruments traded in the market.

The company is exposed to market risk with respect to its investments in financial assets held for trading and investments designated at fair value through other comprehensive income.

f) *Foreign currency risk*

The company undertakes certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year. The UAE Dirham is effectively pegged to the US Dollar, thus foreign currency risk occurs only in respect of other currencies. The company maintains policies and procedures to manage the exchange rate risk exposure.

g) *Liquidity risk*

The company's board of directors adopted an appropriate liquidity risk management framework as the responsibility of liquidity risk management rests with the board of directors.

The following table shows the maturity dates of company's financial assets and liabilities as at 31 December 2013.

<i>Financial assets</i>	Less than 1 year	More than 1 year	Total
Non - interest bearing	106,533,263	14,643,548	121,176,811
Interest bearing	3,215,627	98,346,150	101,561,777
<b>Total</b>	<b>109,748,890</b>	<b>112,989,698</b>	<b>222,738,588</b>
<i>Financial liabilities</i>			
Non - interest bearing	13,951,177	----	13,951,177
Interest bearing	46,121,250	----	46,121,250
<b>Total</b>	<b>60,072,427</b>	<b>----</b>	<b>60,072,427</b>

The following table shows the maturity dates of company's financial assets and liabilities as at December 2012

<i>Financial assets</i>	Less than 1 year	More than 1 year	Total
Non - interest bearing	34,632,907	7,496,781	42,129,688
Interest bearing	99,676,878	147,806,624	247,483,502
<b>Total</b>	<b>134,309,785</b>	<b>155,303,405</b>	<b>289,613,190</b>
<i>Financial liabilities</i>			
Non - interest bearing	6,041,010	----	6,041,010
Interest bearing	127,981,946	----	127,981,946
<b>Total</b>	<b>134,022,956</b>	<b>----</b>	<b>134,022,956</b>





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## 23 RELATED PARTIES

The company in the normal course of business conducts transactions with the following entities which fall within the definition of related parties in accordance to International Financial Reporting Standards. The transactions with these related parties are primarily financing in nature as follows:

a) **RELATED PARTIES - RECEIVABLES**

This item consists of the following:	2 0 1 3	2 0 1 2
Mr. Mohammad Abdulla Al Qubaisi	1,066	19,858
Benyan Development Company L.L.C	131,196	415,847
Finance House P.J.S.C	2,889,950	364,585
Finance House Securities L.L.C	2,400	248,468
<b>Total - Note 6 (a)</b>	<b>3,024,612</b>	<b>1,048,758</b>

b) **RELATED PARTIES - PAYABLES**

This item consists of the following:	2 0 1 3	2 0 1 2
Islamic Finance House PVT. J.S.C	3,755	3,755
FH Capital Limited (D.I.F.C)	1,619,118	1,000,000
<b>Total - Note 16</b>	<b>1,622,873</b>	<b>1,003,755</b>

- c) Finance House P.J.S.C is one of the major shareholders of the company as of 31 December 2013. Benyan Development Company L.L.C, FH Capital Ltd. (D.I.F.C), Finance House Securities L.L.C and Islamic Finance House PVT. J.S.C are subsidiaries of Finance House P.J.S.C.

d) *Significant transactions with related parties during the year / period are as follows:*

This item consists of the following :	2 0 1 3	2 0 1 2
Gross premiums written	5,040,207	8,209,915
Purchase of shares	56,237,414	25,157,965
Cash at bank - current account	8,924	185,913
Cash at bank - call account	4,299,041	11,993,138
Bank fixed deposits	----	13,000,000
Margin on letters of guarantee	126,000	78,000
Purchase of Sukuk	16,000,000	20,000,000

# 24

## SEGMENT INFORMATION

a) For operating purposes, the company is organized into two business segments:

Underwriting of general insurance business - incorporating all classes of general insurance viz, fire, marine, motor, general accident and medical.

Investments - incorporating investments in UAE marketable equity securities, term deposits with banks, overseas managed portfolios and other securities.

Primary segment information - business segment

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

	Underwriting		Investments and Others		Total
	2013	2012	2013	2012	
Segment revenue	99,125,409	78,390,326	18,976,845	23,451,642	118,102,254
Segment result	11,375,730	8,471,797	18,976,845	23,451,642	30,352,575
Unallocated expenses					(20,794,582)
Profit for the year / period					9,557,993
					7,543,488

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

	Underwriting		Investments and Others		Total
	2013	2012	2013	2012	
Segment assets					
Unallocated assets	<b>70,766,393</b>	34,865,525	<b>182,114,873</b>	263,667,465	<b>252,881,266</b>
Total assets					<b>1,727,249</b>
					<b>254,608,515</b>
Segment liabilities					<b>111,578,430</b>
Unallocated liabilities	<b>65,457,180</b>	45,107,970	<b>46,121,250</b>	127,981,946	<b>2,759,817</b>
Total liabilities					<b>114,338,247</b>
					<b>175,882,696</b>

There are no transactions between the business segments.

c) Secondary segment information - revenue from underwriting departments

The following is an analysis of the company's revenue classified by major underwriting departments

	For the year ended 31 December 2013	For the period from 11 April 2011 to 31 December 2012
Non - Marine	<b>36,502,911</b>	39,639,869
Marine	<b>321,896</b>	813,197
Medical and personal assurance	<b>62,300,602</b>	37,937,260
<b>Total - Exhibit B</b>	<b>99,125,409</b>	<b>78,390,326</b>

# 25

## FINANCIAL ASSETS AND LIABILITIES

This item consists of the following:	2 0 1 3	2 0 1 2
<i>Financial assets</i>		
Cash and cash equivalents	24,942,876	17,210,286
Bank fixed deposits	----	86,500,003
Insurance and other receivables	54,062,670	24,957,306
Investments designated at fair value through income statement (FVTPL)	30,743,344	147,448,814
Investments designated at fair value through other comprehensive income (FVTOCI)	14,643,548	7,496,781
Investments designated at amortized cost	92,346,150	----
Statutory deposit	6,000,000	6,000,000
<b>Total</b>	<b>222,738,588</b>	<b>289,613,190</b>
<i>Financial liabilities</i>		
Borrowings from banks	46,121,250	127,981,946
Insurance and other payables	13,951,177	6,041,010
<b>Total</b>	<b>60,072,427</b>	<b>134,022,956</b>

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## CONTINGENT LIABILITIES

This item consists of the following:	2 0 1 3	2 0 1 2
Letters of guarantee	1,336,000	----

## 27 COMPARATIVE FIGURES

- Certain comparative figures have been reclassified to comply with the financial statements presentation for the current period.
- The financial statements for the current period are for 12 months, compared to the period of 20 months and 20 days for the previous period.

## 28 GENERAL

The figures in the financial statements are rounded to the nearest Dirham of United Arab Emirates.

## 29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue in their meeting on 21 January 2014.



