409

25

ANNUAL REPORT 2013

30,879

19

806

13,602,332

1,996

5

299

ADNIC

شـركــة أبوظبـي الوطنيـة للتأميــن

ABU DHABI NATIONAL INSURANCE COMPANY

YOUR RELIABLE INSURER

Reliability is more than a responsibility. It's a cause. A belief that holds us responsible for the well-being of our customers – from individuals and families to businesses and assets.

We also believe that we have a duty towards our environment. So, as we continue to grow as a company and a society, we must not forget to respect the environment in which we live.

Which is why we've chosen to print this year's annual report on 100% recyclable paper. We've even developed special designs and printing methods that ensure we are as friendly to the environment as possible.

The numbers you see on the cover are how much we're saving in terms of resources and funds by using this eco-friendly annual report. So beyond our growth as an award-winning, financially robust operation, we're proudly leading the charge in sustainable growth – because a brighter future starts right now.

Help keep this initiative alive by recycling this annual report when you're done reading it.

Here's a look at the positive impact this eco-friendly printing process has on our environment. By using post-consumer recycled fiber instead of virgin fiber, we're saving 4,000 lbs of paper and lots more.

19 TREES PRESERVED FOR THE FUTURE.

25 KGS WATER-BORNE WASTE NOT CREATED.

30,879 LITERS WASTEWATER FLOW SAVED.

409 KGS SOLID WASTE NOT GENERATED.

806 KGS NET GREENHOUSE GASES (GHG) PREVENTED.

13,602,332 BRITISH THERMAL UNITS (BTUS) ENERGY NOT CONSUMED.

1,996 KGS GHG EMISSIONS NOT GENERATED.

5 BARRELS FUEL OIL UNUSED OR EQUIVALENT TO PLANTING 299 TREES.

The Late His Highness
Sheikh Zayed Bin Sultan Al Nahyan

First President of the United Arab Emirates

His Highness
Sheikh Khalifa Bin Zayed Al Nahyan

President of the United Arab Emirates and Ruler of Abu Dhabi

His Highness
General Sheikh Mohamed Bin Zayed Al Nahyan

Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces

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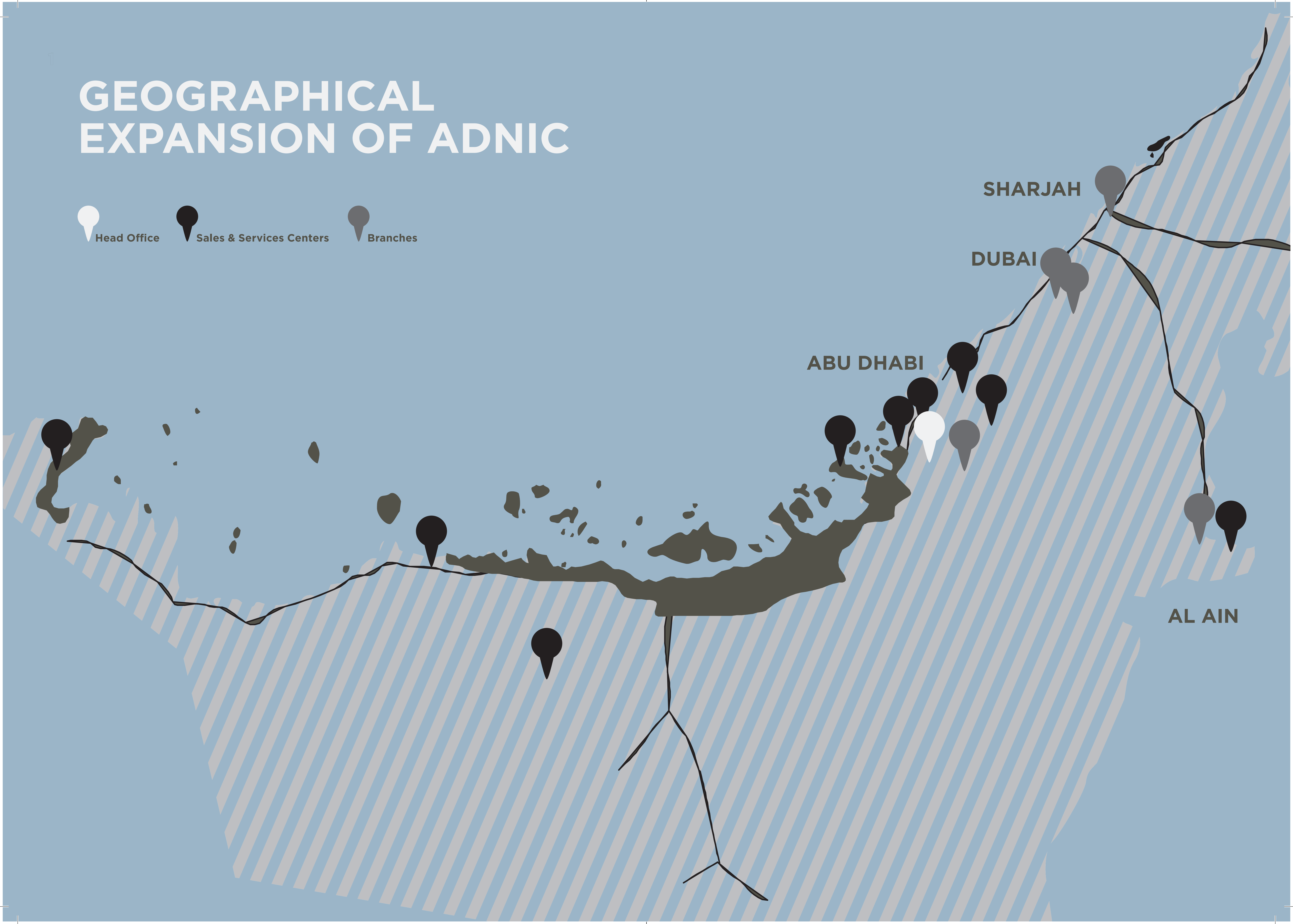
GEOGRAPHICAL EXPANSION OF ADNIC



ADNIC BOARD OF DIRECTORS

H.E. KHALIFA MOHAMED AL-KINDI
Chairman

SHEIKH MOHAMMED BIN SAIF AL-NEHAYAN
Vice Chairman

SHEIKH THEYAB BIN TAHNOON AL-NEHAYAN
Member

H.E. AHMED ALI AL-SAYEGH
Member

H.E. SULTAN RASHID AL-DHAHERI
Member

MR. GHANEM ALI HAMOODA AL-DHAHERI
Member

MR. MOHAMMED ABDULAZEEZ AL-MEHAIRI
Member

MR. KHALIFA SULTAN AL-SUWAIDI
Member

MR. ABDULLA KHALAF AL-OTAIBA
Member

A MESSAGE FROM THE CHAIRMAN OF THE BOARD

On behalf of the Board of Directors of Abu Dhabi National Insurance Company (ADNIC), we are pleased to present our Forty-First audited Directors' Report and Financial Statements for the year ended 31 December 2013.

ADNIC has grown its asset base to AED 4.8 billion while maintaining solid levels of profitability, liquidity and capitalization.

Both operationally and financially, global agencies have reconfirmed ADNIC's strategic plans and business practices. Our ISO 9000 certification, Standard and Poor's rating (A- Strong), and A.M. Best's rating (A Excellent) have all been reaffirmed. ADNIC remains in an elite group of financial services institutions in the Middle East and North Africa region, which have maintained their financial ratings in the A category.

ADNIC remains fully committed to the UAE Government's initiatives to improve corporate governance, social responsibility, and Emiratization.

ADNIC is fully committed to Emiratization and to other initiatives, which contribute to the UAE economy. As part of these efforts, ADNIC is a proud participant of ABSHER, which is an initiative launched by the Ministry of Presidential Affairs, under the guidance of His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE, for the benefit of UAE Nationals who work in the private sector. ADNIC is one of the first companies to have participated in the program and is a leading representative from the insurance sector. In 2013, ADNIC was one of five companies to receive an award from the Ministry of Presidential Affairs (MOPA) and the Ministry of Labour (MOL) for presenting services to ABSHER members.

Another contribution made in 2013 was "Al Bayt Mitwahid" a campaign launched by the Abu Dhabi Crown Prince Court employees to celebrate the unity of the nation and to promote the nation's solidarity across the UAE's communities. The campaign comprises seven high-impact initiatives that have been implemented across seven emirates. Each initiative focuses on a different topic (Education in Abu Dhabi, Environment in Dubai, Special Needs support in Sharjah, Agriculture in Ajman, Family support in Umm Al Quwain, Elderly support in Ras Al Khaimah, and Fishing in Fujairah).

The Board of Directors remains supportive of the management's plans to continue expanding ADNIC's footprint within the UAE and MENA region.
As one of the oldest financial services companies in the nation, we look forward to developing new areas of opportunity, while continuing to demonstrate insurance excellence in our home base in Abu Dhabi and the UAE.

We would like to take this opportunity to congratulate the UAE Government, the Emirate of Dubai and the UAE's nationals and residents on winning Expo 2020. This event is expected to have significant and positive direct and indirect economic impact on the UAE and the region. ADNIC is pleased to have the opportunity to contribute towards the delivery of Expo 2020.

On behalf of the shareholders and management of ADNIC, the Board of Directors expresses its sincere appreciation and utmost gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi, and to His Highness the Crown Prince Sheikh Mohamed Bin Zayed Al Nahyan for their continued support, which is extended to ADNIC and the business community at large.

The Board of Directors extends its appreciation to the UAE regulatory bodies, shareholders, clients, and business partners for their continued trust and support, and to ADNIC's management and staff in their march towards perpetual excellence, thus ensuring that ADNIC remains "Your Reliable Insurer".

Khalifa Mohamed Al-Kindi
Chairman of the Board of Directors

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I am pleased to share with you a summary of our operations and financial results for the year ended 31 December 2013.

Operating Environment

The region's insurance industry continues to focus on the profitability of its core business of risk underwriting coupled with the dynamically evolving regulatory landscape.

Having said this, we have observed interesting developments recently. In the consumer segment, we welcome the long-anticipated health insurance law of Dubai, which was approved in the later part of 2013 and will be implemented in phases. Its fundamental aim is to ensure that every national, resident, and visitor in Dubai has essential health insurance coverage and access to essential health services. The health insurance law rests on two pillars: to provide residents with basic healthcare services and to develop an effective and sustainable health financing regulatory system. We are working closely with Dubai Health Authority and partnering with them towards the success of this new regulation.

In the commercial segment, the UAE Government continues to place emphasis on, and invest in, Oil & Gas, Alternative Energy, Technology, and Aviation & Aerospace – all of which provide opportunities for the insurance community. We have also seen more awareness of and interest in liabilities and financial lines products.

The Expo 2020 win has uplifted the mood for employers and employees alike, both in the public and the private sectors. The Expo will have a trickle-down effect on nearly all sectors. ADNIC will take pride in contributing to the Expo 2020 journey.

Insurance Operations

As the environment becomes increasingly competitive, we at ADNIC, focus on innovation to differentiate ourselves from our peers. This differentiation can be seen in the improvements made towards our customer centricity as well as in the simplified solutions in our color-coded product suites initiated in our Consumer Lines solutions.

Our emphasis is on prudent underwriting for a balanced and profitable portfolio as demonstrated by our 2013 insurance operations results:

- **Premium Growth:** Gross Written Premium grew by 5% to AED 2,406m from AED 2,299m in 2012. This has resulted from strong growth in our Commercial segment, particularly in Oil & Gas sectors. Our Consumer portfolio remains positive, as ADNIC becomes more selective in the prudent underwriting of more profitable accounts in Medical.
- **Risk Appetite:** 2013 saw 1% growth in our premium retention ratio through our robust reinsurance programme, which is in line with our risk appetite. This has led to a strong growth of 21% in Net Premium Earned, predominantly in Commercial Lines.
- **Net Loss Ratio:** ADNIC's overall net loss ratio remains unchanged at 77%. While Consumer Lines net loss ratio has decreased as a result of better tools and enhanced controls on our service provider panels, Commercial Lines net loss ratio saw an increase in 2013 due to a number of high-value claims.

Sustainable Profitability

ADNIC's overall results are positive with strong growth resulting from good underwriting profits combined with effective cost and investment management. The components of our Net Profit are as follows:

- **Net Underwriting Profit:** As highlighted above, our Insurance Operations have performed well in 2013, with Net Underwriting Profit increasing by 4% to AED 290.6m from AED 279.2m in 2012 due to prudent underwriting with an emphasis on profitability and enhanced claims management.
- **Technical Profit:** Technical Profit grew by 28% to AED 81.3m from AED 63.7m in 2012, being the result of Net Underwriting Profit less General and Admin Expenses. General and Admin Expenses dropped by 3% in 2013, predominantly due to reduction in doubtful debts expense to AED 8.9m in 2013 compared to AED 35m in 2012.
- **Net Investment Income**
    - o Investment Income through Profit & Loss account increased 23% to AED 99.6m. Our dividend income through listed equity and our private equity investments grew to 27.4m – a growth of 38% over 2012. We also continued to develop our bond portfolio to further diversify our overall investment portfolio. As a result net coupon income from bonds was also up strongly in 2013. During the year, the UAE and regional equity markets also showed impressive gains. The total impact of change in fair value through Other Comprehensive Income was AED 168.9m compared to AED 57.6m in 2012.
    - o The latest addition to our investment property portfolio is the residential building Amwaj 1 in Al Raha beach. Our other property in Al Raha beach – Amwaj 2 – is expected to be available for leasing in late 2014. We continue to renovate our properties, which is leading to enhanced rental returns. As a result of the recovery in the property market in the UAE and high occupancy levels of our properties, our Investment Property portfolio also appreciated in value by AED 28.2m.
- **Net Profit and Total Comprehensive Income for the Year 2013:**
- **Net Profit:** Due to the above components of our profitability drivers, our Net Profit for the year 2013 reached AED 181m as compared to AED 145m in 2012 – a growth of 25%.
- **Total Comprehensive Income** for the year 2013 was AED 350m as compared to AED 202m in year 2012, which reflects a strong growth of 73%.

Corporate Social Responsibility

On November 22nd, 2013, and for the third year running, ADNIC was the proud title sponsor of ADNIC Yas Run. Held at Yas Marina Circuit, the event saw 6,500 attendees that included 3,100 runners of all ages along with a strong participation from our stakeholders – making the 2013 ADNIC Yas Run our most successful run yet.

Through the ADNIC Yas Run, our participants and sponsors made charitable donations to Operation Smile, an international children's charity organization that offers free corrective surgeries to children. In addition, ADNIC annually expresses its commitment to encourage our customers and the broader community to lead healthier lives.

Strategic Priorities

Our key strategic priorities for a future of cultural excellence are:

- **Expansion:** Execution has started on this strategic priority, with ADNIC looking into niche markets complementing our business model and increasing shareholders value. Further details of this geographical expansion within the MENA region will be disclosed at the right time.
- **Product Innovation:** In simplifying our Medical solution with a four-tier classification system in 2013, ADNIC seeks to launch its color-coded product suite in other Consumer Lines products. We believe that continuous innovation will enable us not just to compete, but compete to win.
- **Technology:** While 2013 saw ADNIC capitalizing on the deployment of its Oracle Financials and HR Management Systems IT solutions, we are also in the phase of implementing a new Core Insurance system. As we expect this to go live in 2014, we also look forward to continuous improvements, namely with the introduction of mobile applications for Medical and Motor, a revamped corporate website, as well as the focus on e-commerce.

Appreciation

I would sincerely like to thank ADNIC's Board Members for their hard work and support in guiding the Executive Management team towards execution of strategic initiatives.

To ADNIC's management and team members, I am truly appreciative of the efforts and sacrifices you made this year during our journey for perpetual insurance excellence. I am confident of your continued dedication in 2014 and beyond to ensure that we remain "Your Reliable Insurer".

Walid A. Sidani
Chief Executive Officer

OUR CORPORATE TEAM

From left to right (Back Row)

Lazhar Charafeddine	Chief Reinsurance Officer
Abdulla AlNuaimi	Chief Corporate Marketing & Communications Officer
Raed Haddadin	Chief Legal & Compliance Officer – Board of Directors' Secretary
Andrew Woodward	Group Chief Underwriting Officer
Benjamin Graham	Chief Risk Officer

From left to right (Front Row)

Saurabh Saran	Chief Operating Officer
Alaa Fares	Chief Financial Officer
Jalal Alkhaled	Chief Human Resources Officer
Tariq Zietoun	Chief Commercial Officer – Strategic Account Management

From left to right (Back Row)

Tarek Moukarzel	Senior Manager – Life & Personal Accident Underwriting Department
Sai Subramanian	Head of E-Commerce & Program Management
Attada Venkata Murthy	Deputy Chief Claims Officer – Consumer Lines Claims Department
Haitham Abo El Fadl	Deputy Chief Services Officer – Operations Department
Hema Padmanabhan	Chief Underwriting Officer – Engineering & Construction Underwriting Department
Hammad Khan	Deputy Chief Financial Officer – Finance, Accounting and Market Intelligence Department
Anand Kalandy	Senior Manager – Medical Underwriting Department
Gurumurthy Lakshminarayanan	Senior Manager – Cargo & Marine Hull Underwriting Department
Kesavan Kannan	Senior Manager – Commercial Lines Claims Department
Manish Misra	Deputy Chief Human Resources Officer

From left to right (Front Row)

Sami Khalil	Deputy Chief Services Officer – Risk Engineering Services Department
Adrian Alexander	Deputy Chief Claims Officer – Energy & Non-Marine Commercial Claims Department
Vijay Singh	Chief Claims Officer – Commercial Lines Claims Department
Hussein Samara	Chief Information Officer
Mazen Allabadi	Chief Claims Officer – Consumer Lines Claims Department
Srinivasan Vaidynathan	Chief Underwriting Officer – Liabilities & Financial Lines Underwriting Department
Ziad Sawaya	Senior Manager – Motor & Consumer Lines Underwriting Department

Not present in the photo

Jugal Madaan	Chief Underwriting Officer – Property and Energy Underwriting Department
Osama Al Tajer	Senior Manager – Aviation & Aerospace Underwriting Department

From left to right (Back Row)

Mohamad Mustapha	Branch Manager – Al Ain
Jihad Francis	Deputy Regional Manager – Abu Dhabi & Western Region
Eli Daccache	Branch Manager – Sharjah
Suresh Gunathilika	Branch Manager – Sheikh Zayed Road, Dubai

From left to right (Front Row)

Bassam Jbeili	Regional Branch Manager – Abu Dhabi & Western Region
Omar Hamzah	Regional Branch Manager – Dubai & Northern Emirates Region

Not present in the photo

Alya Ali Al Tamimi	Deputy Branch Manager – Deira, Dubai

OUR VISION

To be the leading insurer of choice across the Middle East and North Africa region.

OUR MISSION

To serve our customers by offering them regional, alternative, and international insurance solutions to protect their quality of life and help them excel in their business endeavors.

ABOUT US

Abu Dhabi National Insurance Company (ADNIC) PJSC is a trusted insurance partner with long standing expertise in providing insurance products to individuals and corporates to manage unpredictable health, life, and general risks. Founded in the United Arab Emirates (UAE) in 1972, ADNIC is a leading multi-line insurance provider with a wide network of branches as well as sales and service centers across the country. ADNIC is publicly owned and listed on the Abu Dhabi Securities Exchange (ADX).

ADNIC has consistently been providing peace of mind to its customers for the past 40 years through its customizable and scalable insurance products and solutions offerings, which are designed to meet their insurance needs.

The Company transacts both Life and Non-Life Insurance. It also offers a wide range of General, Health, and Life Insurance products and solutions for individuals, small, mid-sized and large companies and multinational corporations in the United Arab Emirates. ADNIC is also one of the leading providers of risk underwriting solutions across the Middle East and North Africa (MENA) region.

ADNIC is proud to work with the Government to encourage UAE Nationals to work in the private sector. During 2012, ADNIC joined the UAE Government's ABSHER initiative to provide support and benefit to UAE Nationals. The Company's current level of Emiratization is amongst the highest in the UAE insurance sector and as of 2013 stands at about 11% of the total work force, which increased from 8.7% in 2011.

During the past 40 years, ADNIC has grown its asset base to AED 4.1 billion while maintaining solid levels of profitability, liquidity, and capitalization. In its endeavor to enhance its performance, the Company has successfully managed changes in challenging market conditions while continuing to pursue perpetual excellence – the Company achieved ISO 9001:2008 Certification in 2012 and maintained its financial ratings with Standard and Poor's A- Strong with a Positive Outlook, as well as A.M. Best A Excellent with a Stable Outlook.

ADNIC has received recognition from the sector and was nominated "Middle East Insurance Company of the Year" in 2009, 2010, and 2011 by World Finance Magazine, as well as the Insurance Company of the Year at the Middle East Insurance Forum 2011 (MEIF 2011).

OUR CORE VALUES

We pride ourselves in continuously operating in line with our corporate core values when we interact with our shareholders, partners, clients, and employees. These values are integral to the way we do business and communicate with our stakeholders:

- **Reliability**
- **Teamwork**
- **Innovation**
- **Integrity**
- **Transparency**
- **Fairness**
- **Customer Centricity**
- **Loyalty**

OUR STRATEGIC PILLARS

At the foundation of our business strategy lies seven strategic pillars, which help us to maintain our commitment to be Your Reliable Insurer.

Modernization of our processes, facilities, and infrastructure
Expansion of our suite of products and services
Employer of Choice within the insurance industry
Product Development to ensure solutions are created to address your evolving business needs
Distribution of our products and services wherever you are
Customer Service to ensure that each interaction with you is effective
Innovation & Technology to ensure solutions are offered efficiently

OUR GLOBAL RECOGNITION

Receiving global awards and recognitions is yet another acknowledgement of ADNIC's stability, evolution, and high standards. Each year ADNIC proves its financial strength and stability receiving global recognitions from prestigious entities including Standard & Poor's (S&P), A.M. Best and the World Finance Magazine, in addition to other prestigious entities.

Our Financial Strength Rating

Standard & Poor's
"A-" rating of Strong with a Positive Outlook – Reaffirmed

A.M. Best
A (Excellent) with a Stable Outlook – Reaffirmed

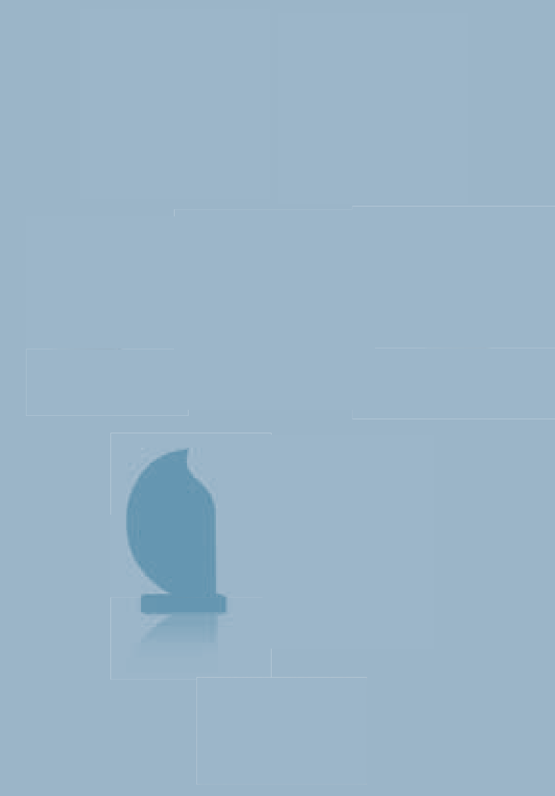
International Awards

The World Finance Insurance Awards
- Middle East Insurance Company of the Year 2009
- Middle East Insurance Company of the Year 2010
- Middle East Insurance Company of the Year 2011

Middle East Insurance Forum (MEIF)
2011 MEIF – Insurance Company of the Year awarded by Central Bank of Bahrain

INSUREX – Achievement of the Year
Achievement of the Year 2011 – Team ADNIC awarded by Policy Magazine

ISO 9001:2008 Certification
Achieved the ISO 9001:2008 international quality certification following an assessment by Lloyd's Register Quality Assurance (LRQA), a leading global certification organization



OUR CORPORATE GOVERNANCE

ADNIC acknowledges its responsibilities to its shareholders, employees, partners, and customers in the UAE. ADNIC also believes that good corporate governance helps to achieve the management commitment of delivering value to shareholders through setting and achieving appropriate strategic business objectives.
As agreed across the UAE and GCC, good governance provides an appropriate framework for the Board, its committees and the leadership of ADNIC to proactively and efficiently protect the interests of the Company.

ADNIC maintains high levels of transparency and accountability throughout its management practices. We believe we have this sacred responsibility to our shareholders and the community collectively.
To this end, ADNIC implements and monitors business objectives, strategies, and procedures that comply with its legal and ethical responsibilities. This is how we embed good corporate governance principles and practices into the way we work.

The Board has established three permanent Board-Level Committees to assist in executing its functions, bestowed them with powers, and entrusted them with responsibilities to implement resolutions of the Board:

Audit Committee

The Audit Committee aims to assist the Board of Directors in monitoring the duties related to preparing the Company's Financial Statements. It also recommends the appointment of the External and Internal Auditor alongwith supervising their independency, finding weaknesses and strengths in the Internal Control, and recommending improvements. The Committee holds its meetings at least once every three months or whenever it deems necessary. The minutes of the Committee's meetings are kept by the Secretary of the Committee.

The Audit Committee comprises the following members:

Sheikh Theyab Bin Tahnoon Al-Nehayan
Chairman

Mr. Khalifa Sultan Al-Suwaidi
Member

Mr. Omar Liaqat
External Member

Ms. Munira Stationers
Committee Secretary

Nomination & Remuneration Committee

The Nomination and Remuneration Committee monitors the independency of the Independent Board Members. It also prepares the Remuneration and Incentives Policies and the Human Resources Policies, in order to recruit and maintain qualified staff and to supervise their suitability. Moreover, the Committee develops and implements the plans and initiatives for employing UAE Nationals and for providing best service to the Company's clients through strategic planning.

The Nomination & Remuneration Committee comprises the following members:

Sheikh Mohammed Bin Saif Al-Nehayan
Chairman

H.E. Ahmed Ali Al-Sayegh
Member

Mr. Mohammed Abdulazeez Al-Mehairi
Member

Mr. Abdulla Khalaf Al-Otaiba
Member

Mr. Jalal Al Khaled
Committee Secretary

Investment Committee

The Investment Committee assists the Board of Directors in supervising, monitoring and evaluating the Company's investments. The Investment Committee performs its duties efficiently and in the best interest of the Company's shareholders through the following:

1. Clarification of the risks realization, objectives and guidelines to the Board of Directors for the investment of the Company's assets.
2. Determining the responsibilities of the Company's management in investment, and how these are supervised by the Board of Directors.
3. Selecting acceptable assets classes that will allow the Company to meet its investment objectives.
4. Determining the appropriate asset allocation mix that will allow the Company to meet its expected investment return while minimizing the amount of risk incurred.
5. Establishing procedures for identifying, selecting and monitoring investments.
6. Complying with all credit, economic, and due diligence requirements that experienced investment professionals would utilize, and all applicable legislation from various Local and Federal Regulatory Authorities.

The Investment Committee comprises the following members:

H.E. Khalifa Mohamed Al-Kindi
Chairman

H.E. Sultan Rashid Al-Dhaheri
Member

Mr. Abdulla Khalaf Al-Otaiba
Member

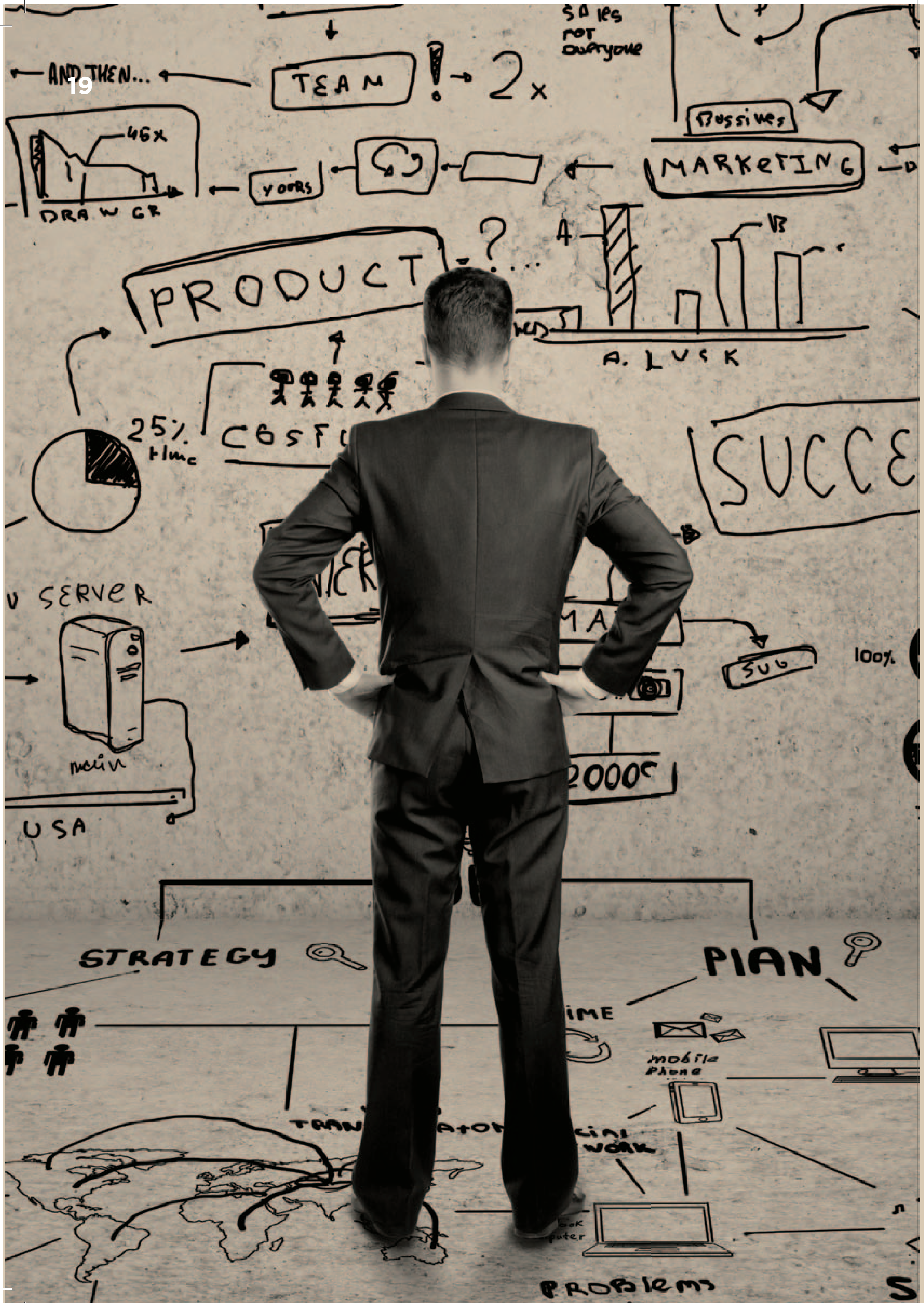
Mr. David Beau
External Member

Mr. Walid Sidani
Member

Mr. Alaa Fares
Member

Mr. Anil Dixit
Member

Mr. Esmat Taha
Committee Secretary



ADNIC has also established three permanent Executive-Level Committees to assist in the execution of its functions; thus, we bestowed them with powers and entrusted them with responsibilities to assist ADNIC in making informed decisions and achieve its strategic objectives.

Risk Management Committee

The Risk Management Committee (RMC) has been established to assist the Executive Management of ADNIC in taking knowledgeable and prudent decisions when it comes to Risk and in fulfilling the duties of the Chief Executive Officer in respect of the Company's Corporate Governance. The Risk Management Committee is responsible for addressing issues related to Risk Management, Fraud Detection, and Business Continuity.

The Risk Management Committee has been authorized to perform the following:

- Develop a regulatory culture, which is aware of Risk and its effective management.
- Engender an enterprise wide approach to Risk Management that provides a comprehensive and appropriately tailored response to all identified risks across the insurance cycle and related activities.
- Provide assurance that Risk Management is an integral part of a successful operation of ADNIC in the achievement of its strategic objectives.

The Risk Management Committee consists of key employees from the Executive Management and from various departments within the Company, who have knowledge and experience in Insurance and Risk Management. The Risk Management Committee is chaired by the Chief Executive Officer and administrated by the Risk Management Department.

ADNIC*City* Life Committee

ADNIC's workplace is characterized by continuous change and growing diversity. Employees' satisfaction and success depends on the capacity to manage this change and to participate within this diversity, thus work-life balance is an important element in meeting this challenge.

ADNIC*City* Life Committee is an approach to employee relations that recognizes business as well as the social and personal benefits of balancing work with other dimensions of life, plus having initiatives to launch various social and health awareness programs to ensure that ADNIC is the best choice for the employee.

ADNIC has 13 employee volunteers from different backgrounds, skills, and capabilities from various departments. They are always ready and have the ability to listen to ADNIC employees anytime, anywhere.

ADNIC Product Innovation Committee

ADNIC Product Innovation Committee (APIC) provides a formal forum comprising a cross section of ADNIC professionals who are tasked with accomplishing the following key functions:

- Exploring and proposing new insurance products to be developed.
- Gathering market intelligence on competitive products and trends.
- Analyzing and proposing new enhancements, tools and special offering for existing products of the Company.

The Committee consists of cross functional members from all the relevant departments within the Company. The Committee is chaired by the Chief Commercial Officer.

Our belief in transparency and our drive for continuous improvement in corporate governance has empowered the Company to produce a Corporate Governance report that was published for the year 2013.

OUR CORPORATE COMMITMENT TO THE COMMUNITY

Corporate Social Responsibility Activities

Our corporate philosophy embraces a commitment to improving the quality of life in the community. At ADNIC, we always seek to play a vital role as a major employer and significant contributor to local charities.

During 2013, we contributed and participated in several community events across the UAE through lending our support, facilities, and staff.

- ADNIC YAS RUN 2013
- ABSHER Initiative – Ministry of Presidential Affairs (MOPA) initiative for the support of Emiratis
- Al Bayt Mitwahid – An initative launched by the Crown Prince Court employees to celebrate and promote the nation's unity
- Emirates Association of the Blind
- Rashid Center for Pediatrics
- ACTVET Emirates Skills – Supporting their Health & Fitness Fun Day Event

ADNIC YAS RUN 2013


ABSHER Initiative


Al Bayt Mitwahid


Emirates Association of the Blind


Rashid Center for Pediatrics

ACTVET Emirates Skills

Balancing Work and Social Life

ADNIC recognizes the importance of balancing work with social life activities. Therefore, we have established a committee, (ADNICity Life Committee*) which seeks to balance our employees' work and social life by engaging them and their families in social activities.*

ADNICity Life Committee *is an approach to employee relations that helps us in our continuous effort to be the Employer of Choice in the insurance industry.*

- Annual Family Day
- Annual Ramadan Iftar
- ADNIC Health Day
- World Heart Day in corporation with NMC hospital
- ADNIC Football Team – Weekly Football Matches
- ADNIC Cricket Team


Annual Family Day


Annual Ramadan Iftar


ADNIC Health Day


World Heart Day


ADNIC Football Team

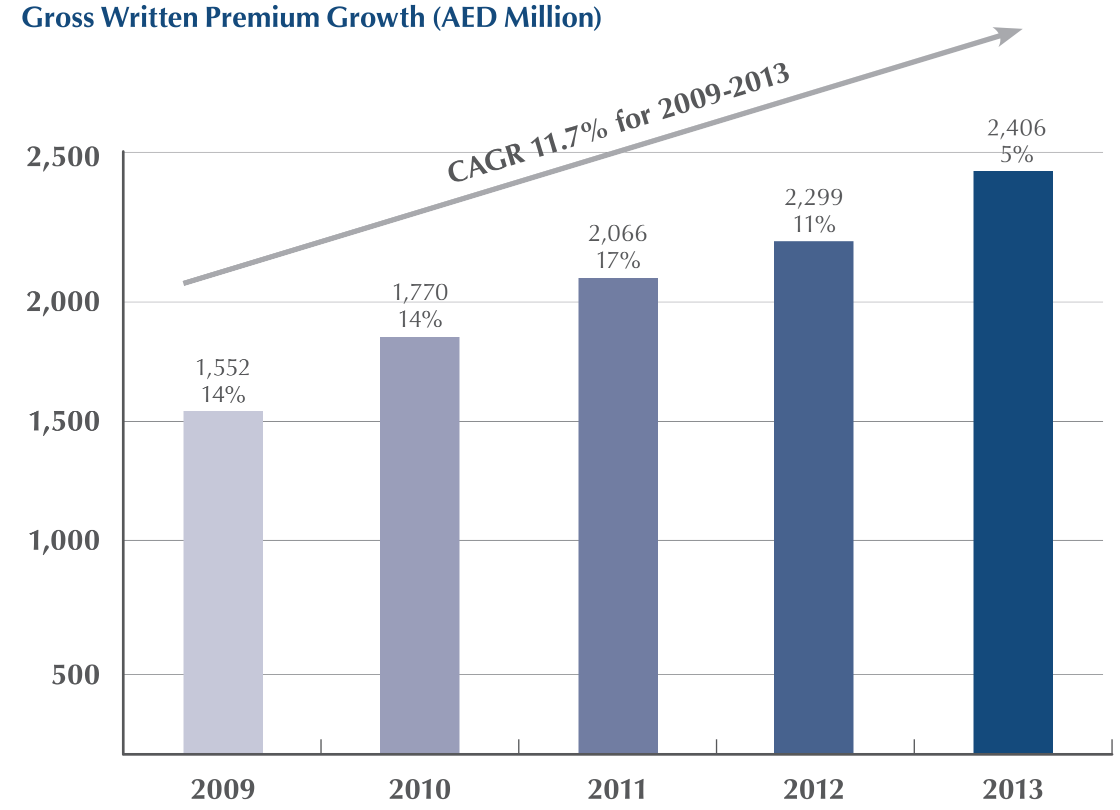

ADNIC Cricket Team

OUR FINANCIAL STRENGTH

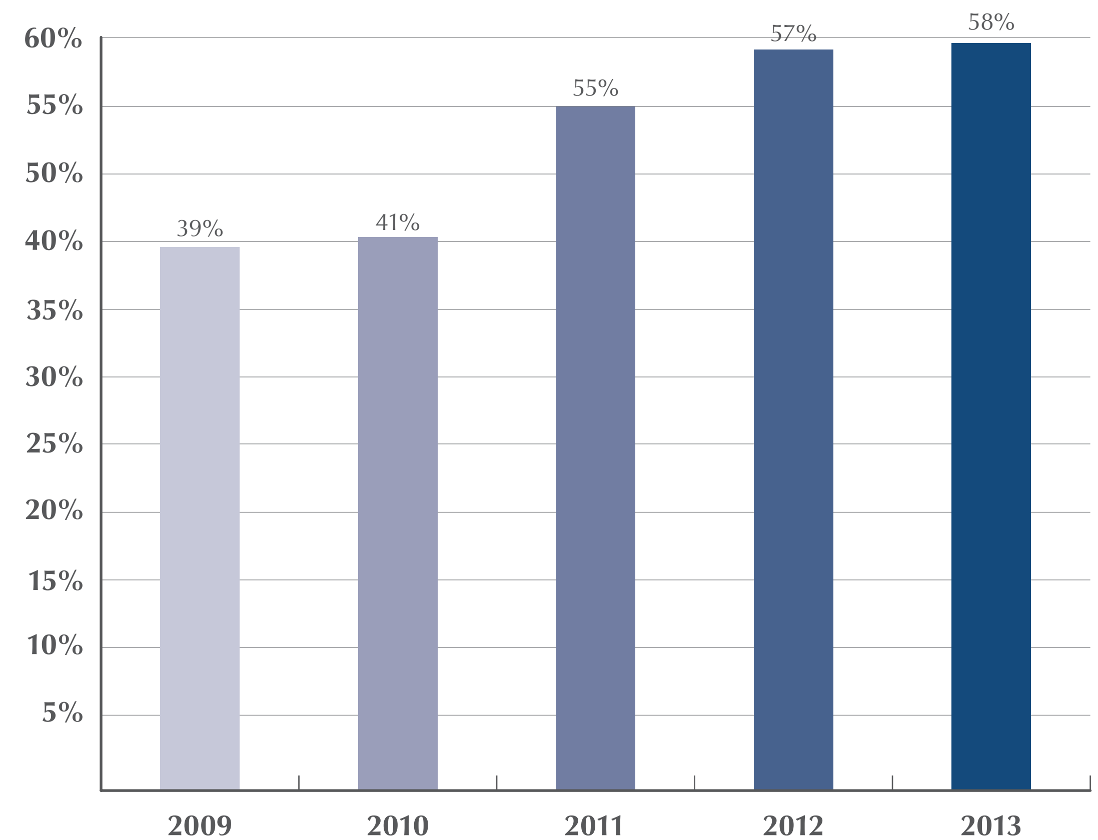
OPERATING FROM THE UAE SINCE 1972, WE HOLD A STRONG COMPETITIVE POSITION AMONG LISTED COMPANIES WITH A MARKET SHARE OF 15%. WE ALSO HAVE THE BENEFIT OF A STRONG CAPITALIZATION OF AED 375,000,000.

Our financial strength and commitment to long-term relationships with our clients offered us the opportunity to lead most of the UAE's mega development projects, while still being able to offer viable solutions to the Small-to-Medium sized Enterprises (SMEs) and individual clients.

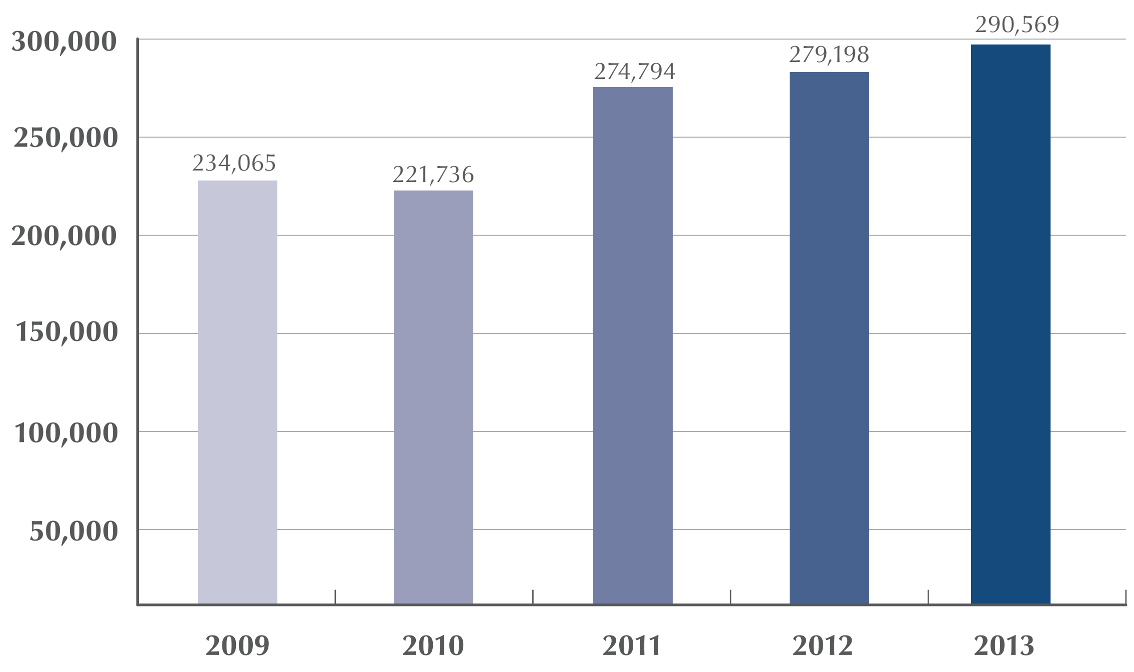
Gross Written Premium Growth (AED Million)



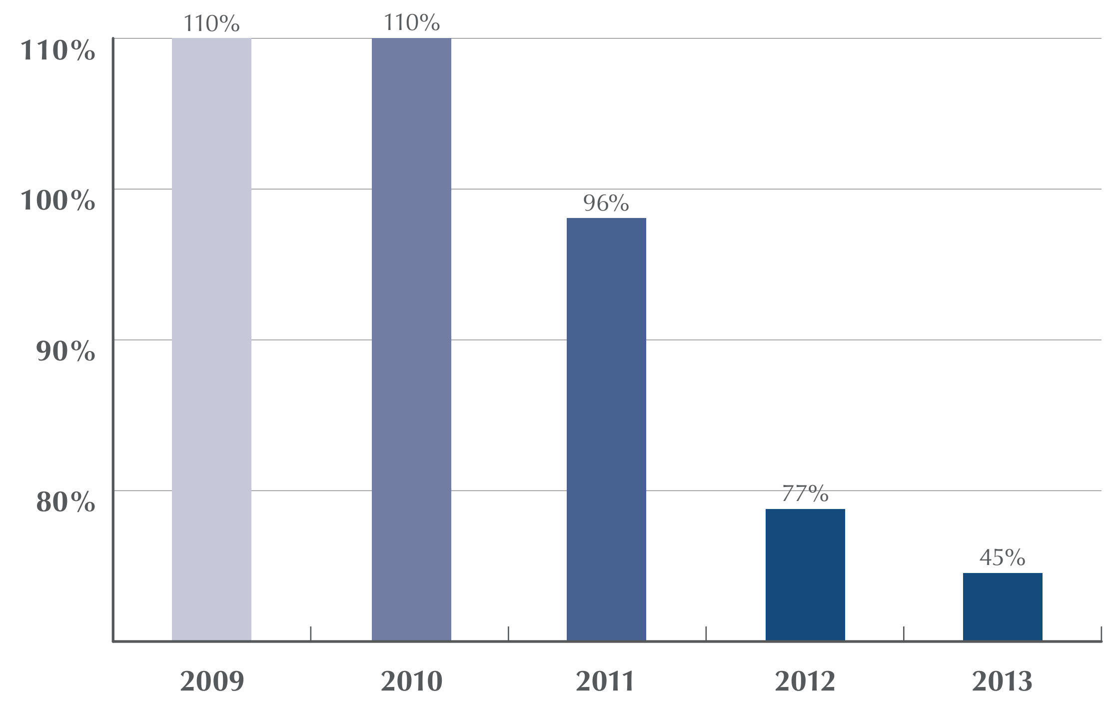
Premium Retention Ratio



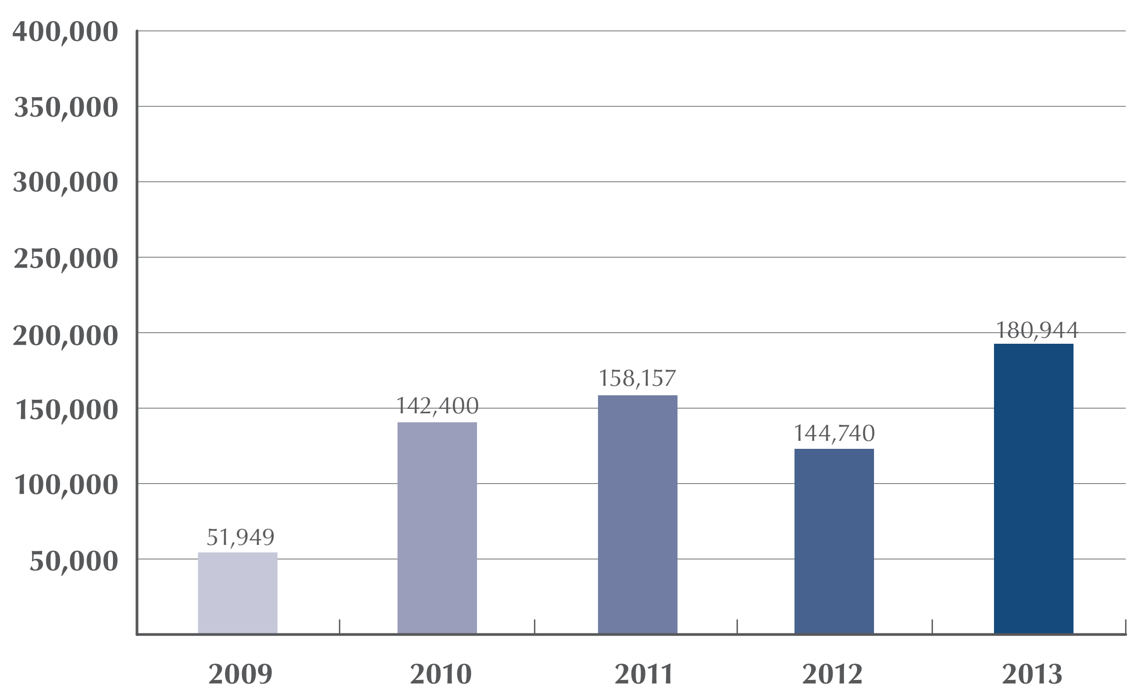
Net Underwriting Income (AED '000s)



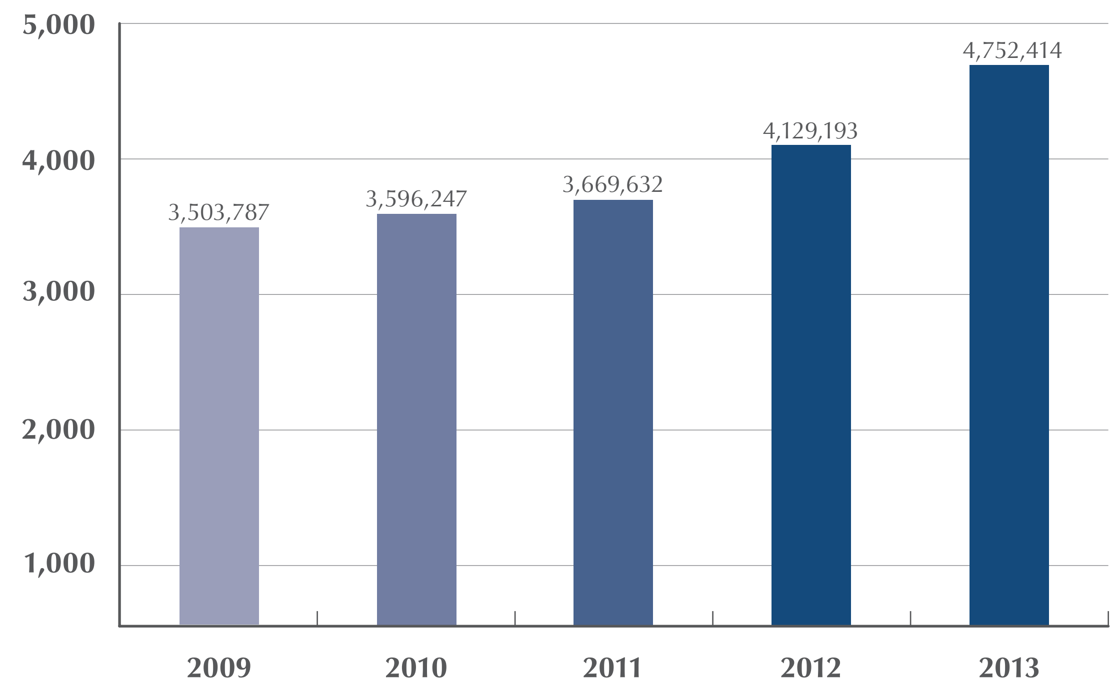
Liquidity Position (Gross Basis)



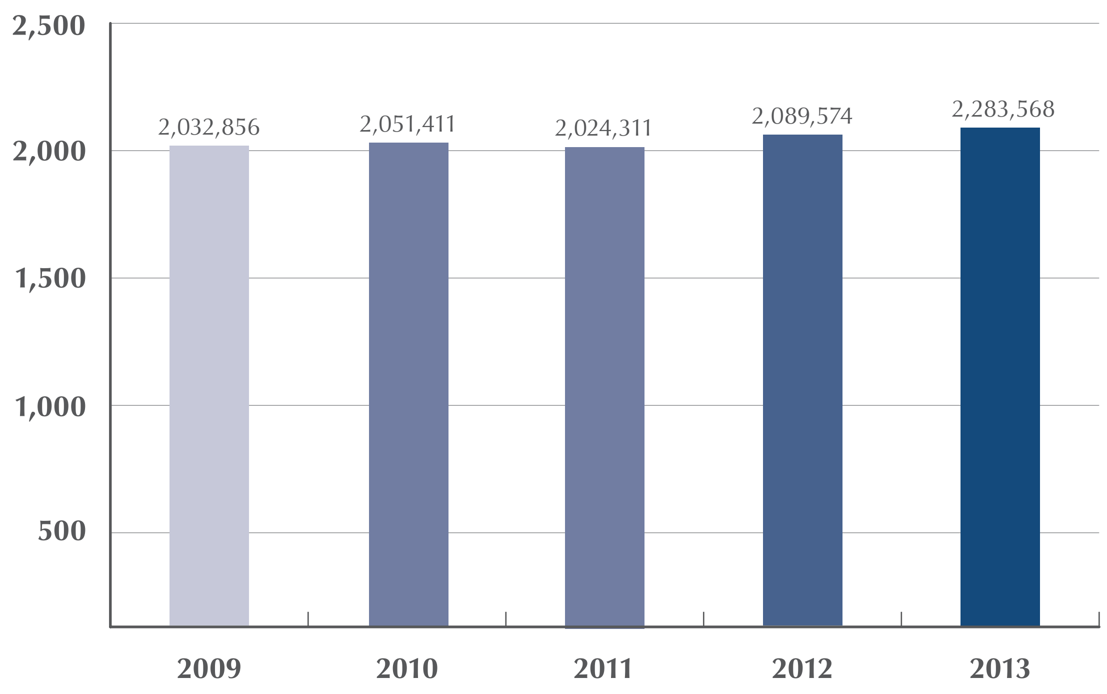
Net Profit (AED '000s)



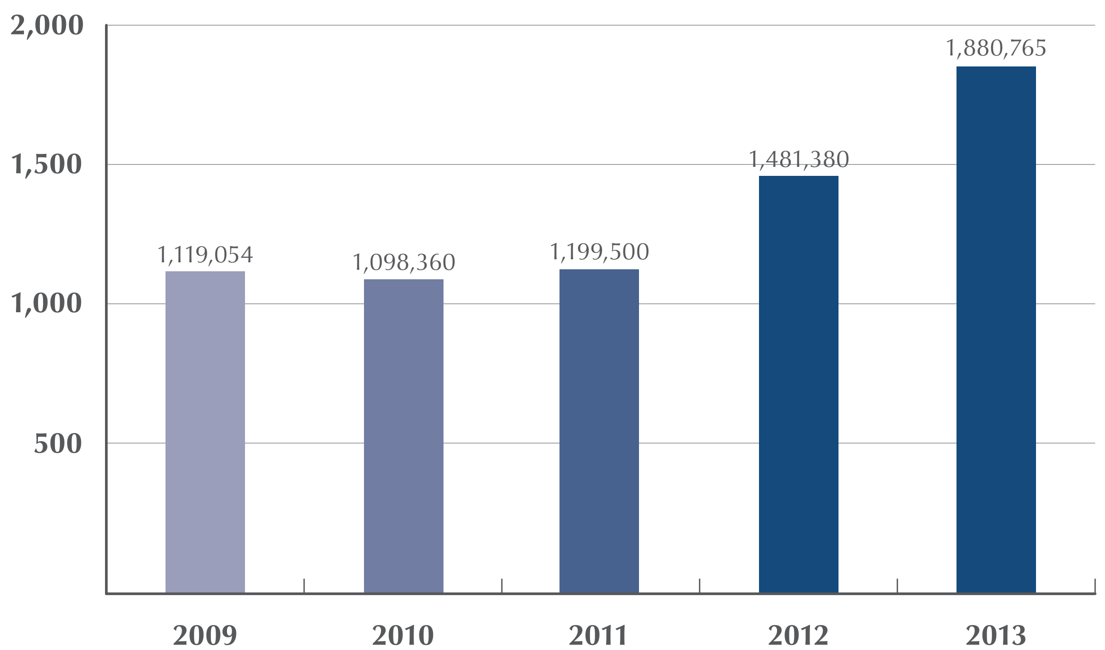
Total Assets (AED '000s)



Total Equity (AED '000s)



Gross Technical Reserves (AED '000s)



OUR FINANCIAL REPORT

Proposals to shareholders

for the year ended 31 December 2013

The Board of Directors, after the review of the Group's operations during the year 2013, proposes the following to the shareholders for their approval:

Ordinary general assembly

(1) To approve the Board of Directors' and Business reports about the Company's operation and its financial position and to approve the auditor's report for the year ended 31 December 2013.

(2) To approve the Directors' report and consolidated financial statements for the year ended 31 December 2013.

(3) To approve the Board of Directors' proposal to appropriate retained profit which amounted to AED 371,222 thousand including the opening retained earnings as follows:

	AED '000
• The proposed cash dividends to the shareholders being 45% of the nominal value per share	168,750
• Proposed Board of Directors' remuneration	5,800
• Retained earnings carried forward	196,672
Total	371,222

(4) To relieve the Directors and the External Auditor from responsibilities for action in performing their duties during the financial year ended 31 December 2013.

(5) To appoint the External Auditor for 2014 and to define the audit fees.

Note:

Proposals no. 1 and 2 to shareholders were approved during the ordinary general assembly meeting held on 20th April 2014.

Proposal no. 3 to shareholders was discussed during the ordinary general assembly meeting held on 20th April 2014 and approved a cash dividend of 50% of the nominal value per share to shareholders.

Independent auditors' report

The Shareholders
Abu Dhabi National Insurance Company PSC

Report on the financial statements

We have audited the accompanying financial statements of Abu Dhabi National Insurance Company PSC (the "Company") which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income (comprising a statement of profit or loss and other comprehensive income and a separate income statement), changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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.

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our 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, we consider 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 these 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 the Company 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 legal and regulatory requirements

As required by the UAE Federal Law No. (8) of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been maintained by the Company and that the contents of the Directors' report which relate to these financial statements are in agreement with the Company's financial records. We are not aware of any violation of the abovementioned Law and the Articles of Association having occurred during the year ended 31 December 2013 which may have had a material adverse effect on the business of the Company or its financial position.

Munther Dajani
Registration No. 268
16 March 2014

Statement of financial position
As at 31 December

	Note	2013 AED'000	2012 AED'000
Assets			
Cash and bank	24	**854,398**	1,144,856
Trade and other receivables	7	**1,009,083**	883,335
Reinsurance contract assets	8	**962,485**	664,323
Investments	10	**1,139,242**	769,009
Investment properties	11	**706,928**	589,298
Property and equipment	12	**80,278**	78,372
Total assets		**4,752,414**	4,129,193
Equity and liabilities			
Equity			
Share capital	13	**375,000**	375,000
Legal reserve	14	**187,500**	187,500
General reserve	15	**1,200,000**	1,200,000
Investments revaluation reserve		**149,846**	31,290
Retained earnings	16	**371,222**	295,784
Total equity		**2,283,568**	2,089,574
Liabilities			
Provision for staff end of service benefits	17	**25,736**	27,545
Trade and other payables	18	**541,568**	509,917
Insurance contract liabilities	8	**1,880,765**	1,481,380
Loans from a financial institution	19	**20,777**	20,777
Total liabilities		**2,468,846**	2,039,619
Total equity and liabilities		**4,752,414**	4,129,193

The financial statements were approved by the Board of Directors and signed on their behalf by the Chairman of the Board of Directors and Chief Executive Officer on 16 March 2014.

Chairman of the Board of Directors

Chief Executive Officer

The notes 1 to 27 form an integral part of these financial statements.
The independent auditors' report is set out on page 30.

Income statement
For the year ended 31 December

	Note	2013 AED'000	2012 AED'000
Underwriting revenue			
Gross written premium	25	**2,406,376**	2,299,187
Change in unearned premium provision		**(99,102)**	(113,434)
Premium income earned		**2,307,274**	2,185,753
Reinsurance premium ceded	25	**(1,003,605)**	(986,047)
Change in reinsurance share of unearned premium		**55,228**	14,330
Reinsurance premium ceded		**(948,377)**	(971,717)
Net premium earned	25	**1,358,897**	1,214,036
Underwriting expenses			
Gross claims paid	25	**(1,274,794)**	(1,086,726)
Change in outstanding claims provision		**(300,283)**	(168,446)
Gross claims incurred		**(1,575,077)**	(1,255,172)
Reinsurance share of claims paid	25	**282,726**	225,972
Change in reinsurance share of outstanding claims		**242,934**	93,216
Reinsurance share of claims incurred		**525,660**	319,188
Net claims incurred	25	**(1,049,417)**	(935,984)
Commissions			
Commission income	25	**116,791**	103,057
Less: commission expenses	25	**(117,814)**	(92,627)
Net commission income		**(1,023)**	10,430
Other income related to underwriting activities	25	**10,234**	15,799
Other expenses related to underwriting activities	25	**(28,122)**	(25,083)
Net other underwriting expenses		**(17,888)**	(9,284)
Net underwriting income		**290,569**	279,198
Net investment and other income	20	**99,600**	81,055
General and administrative expenses	21	**(209,225)**	(215,513)
Net profit for the year		**180,944**	144,740
Basic and diluted earnings per ordinary share (AED)	22	**0.48**	0.39

The notes 1 to 27 form an integral part of these financial statements.
The independent auditors' report is set out on page 30.

Statement of profit or loss and other comprehensive income

For the year ended 31 December

	2013 AED'000	2012 AED'000
Comprehensive income for the year		
Net profit for the year	**180,944**	144,740
Other comprehensive income		
Items that will never be reclassified to income		
Net effect of change in fair value and disposal of investments through OCI	**168,850**	57,573
Total other comprehensive income	**168,850**	57,573
Total comprehensive income for the year	**349,794**	202,313

The notes 1 to 27 form an integral part of these financial statements.
The independent auditors' report is set out on page 30.

Statement of changes in equity

For the year ended 31 December 2013

	Share capital AED'000	**Legal reserve AED'000**	**General reserve AED'000**	**Investments revaluation reserve AED'000**	**Retained earnings AED'000**	**Total AED'000**
Balance at 1 January 2012	375,000	187,500	1,200,000	(36,896)	298,707	2,024,311
Comprehensive income for the year						
Net profit for the year	-	-	-	-	144,740	144,740
Other comprehensive income for the year:						
Change in fair value for investments	-	-	-	57,573	-	57,573
Total other comprehensive income for the year	-	-	-	57,573	-	57,573
Total comprehensive income for the year	-	-	-	57,573	144,740	202,313
Transfer of investment revaluation reserve on disposal of investments through OCI	-	-	-	10,613	(10,613)	-
Transactions with owners, recorded directly in equity						
Dividend paid	-	-	-	-	(131,250)	(131,250)
Total transactions with the owners of the Company	-	-	-	-	(131,250)	(131,250)
Directors' remuneration	-	-	-	-	(5,800)	(5,800)
Balance at 31 December 2012	**375,000**	**187,500**	**1,200,000**	**31,290**	**295,784**	**2,089,574**
Balance at 1 January 2013	375,000	187,500	1,200,000	31,290	295,784	2,089,574
Comprehensive income for the year						
Net profit for the year	-	-	-	-	180,944	180,944
Other comprehensive income for the year:						
Change in fair value for investments	-	-	-	168,850	-	168,850
Total other comprehensive income for the year	-	-	-	168,850	-	168,850
Total comprehensive income for the year						
Transfer of investment revaluation reserve on disposal of investments through OCI	-	-	-	(50,294)	50,294	-
Transactions with owners, recorded directly in equity						
Dividend paid	-	-	-	-	(150,000)	(150,000)
Total transactions with the owners of the Company	-	-	-	-	(150,000)	(150,000)
Directors' remuneration	-	-	-	-	(5,800)	(5,800)
Balance at 31 December 2013	**375,000**	**187,500**	**1,200,000**	**149,846**	**371,222**	**2,283,568**

The notes 1 to 27 form an integral part of these financial statements.
The independent auditors' report is set out on page 30.

Statement of cash flows

For the year ended 31 December

	Note	2013 AED'000	2012 AED'000
Operating activities			
Net profit for the year		**180,944**	144,740
Adjustments for:			
Depreciation expense	*12*	**11,206**	10,263
Net movement in unearned premium reserve	*8*	**43,874**	99,104
Directors' remuneration	*23*	**(5,800)**	(5,800)
Net impairment loss on trade receivable	*7*	**7,569**	35,000
Net increase on revaluation of investment property	*11*	**(28,242)**	-
Unrealized gain on investments through profit and loss	*10*	**(2,794)**	(1,037)
Unwinding of discount	*10*	**2,939**	2,533
End of service benefits charge	*17*	**2,849**	3,628
Gain on disposal of property and equipment		**32**	(43)
Cash flows from operating activities before movements in working capital		**212,577**	288,388
Change in reinsurance contract assets	*8*	**(242,934)**	(93,216)
Change in trade and other receivables	*7*	**(133,317)**	(41,281)
Change in insurance contract liabilities	*8*	**300,283**	168,446
Change in trade and other payables	*18*	**31,651**	93,577
Cash generated from operations		**168,260**	415,914
End of service benefits paid	*17*	**(4,658)**	(5,564)
Net cash generated from operating activities		**163,602**	410,350
Investing activities			
Proceeds from sale of investments	*10*	**605,612**	282,418
Change in bank deposits	*24*	**566,239**	106,831
Proceeds from disposal of property and equipment		**13**	123
Acquisition of investments	*10*	**(807,140)**	(417,873)
Disposal of joint venture		**-**	2,204
Purchase of property and equipment	*12*	**(13,157)**	(20,945)
Payment for investment property under development	*11*	**(89,388)**	(167,705)
Change in loans from a financial institution	*19*	**-**	20,777
Net cash used in investing activities		**262,179**	(194,170)
Financing activities			
Dividend paid		**(150,000)**	(131,250)
Net cash used in financing activities		**(150,000)**	(131,250)
Net increase in cash and cash equivalents		**275,781**	84,930
Cash and cash equivalents at the beginning of the year		**264,866**	179,936
Cash and cash equivalents at the end of year	*24*	**540,647**	264,866

The notes 1 to 27 form an integral part of these financial statements.
The independent auditors' report is set out on page 30.

Notes to the financial statements

1. Legal status and principal activities

Abu Dhabi National Insurance Company PSC (the "Company") is a public shareholding company incorporated in Abu Dhabi, United Arab Emirates, by Law No. (4) of 1972 as amended by Law No. (4) of 1974, and is governed by the provisions of the United Arab Emirates (UAE) Federal Law No. (6) of 2007 concerning Insurance Companies and agents and Federal Law No. (8) of 1984 (as amended). These financial statements include the financial performance and position of the Company.

The financial statements of the Company comprise the Company and its fully owned branch Abu Dhabi National Insurance Company (Services) Ltd. which is registered in the United Kingdom and did not carry out any insurance or reinsurance business. The Company closed this branch effective 13 August 2013.

The Company's principal activity is the transaction of insurance and reinsurance business of all classes.

The registered office of the Company is Khalifa Street, ADNIC Building, P.O. Box 839, Abu Dhabi, UAE.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of the laws in the UAE.

(b) Basis of measurement

The financial statements are prepared under the historical cost basis except for the following:

- Financial instruments at fair value through profit and loss are measured at fair value;
- Financial instruments at fair value through other comprehensive income are measured at fair value; and
- Investment properties are measured at fair value.

The method used to fair value is discussed in note 3(b) and 6.

(c) Functional and presentation currency

These financial statements are presented in UAE Dirhams (AED), which is the Company's functional currency. Except as indicated, financial information presented in AED has been rounded to the nearest thousand.

Notes to the financial statements

2. Basis of preparation *(continued)*

d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 5.

(e) Change in accounting policy

Except for the changes below, the Company has consistently applied the accounting policies as set out in note 3 to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- IFRS 13 Fair Value Measurement.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1).

The nature and the effects of the changes are explained below.

(i) Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. The requirement on use of fair value has not undergone any changes, rather it provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments, thereby affecting the financial statements. The Company provides these disclosures in note 6.

(ii) Presentation of items of other comprehensive income (OCI)

As a result of the amendments to IAS 1, the Company has modified the presentation of items of other comprehensive income in its statement of profit or loss and other comprehensive income, to present items that would be reclassified to income in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

Notes to the financial statements

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial assets and liabilities

(i) Recognition

The Company initially recognizes deposits and debt securities issued on the date that they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Company commits to purchase or sell the asset. All other financial assets and liabilities (including assets designated at fair value through profit and loss) are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in:

(i) Income statement, for securities held at amortized cost or FVTPL, or

(ii) Other comprehensive income, for investments at FVTOCI. At the time of derecognition of FVTOCI investment any revaluation reserve is transferred to retained earnings.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company also derecognizes certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(iii) Designation at amortized cost

Debt instruments are classified as investments at amortized cost only if:

(i) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These instruments are initially recognized at cost and subsequently measured at amortized cost, calculated using the effective interest rate.

(iv) Designation as fair value through other comprehensive income (“FVTOCI”)

The Company has classified equity shares at fair value through other comprehensive income (“FVTOCI”) where these investments are not held for selling for short-term profit taking.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(a) Financial assets and liabilities *(continued)*

These equity investments are initially recognized and subsequently measured at fair value in the statement of financial position. All changes in fair value are recognized in equity through other comprehensive income.

(v) Fair value through profit and loss

Fair value through profit and loss (FVTPL) include trading assets that the Company acquires for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit taking.

FVTPL assets are initially recognized and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to the income statement. All changes in fair value are recognized as part of net investment income in the income statement. FVTPL assets are not reclassified subsequent to their initial recognition.

(vi) Other financial assets

Other non-derivative financial assets, such as cash and cash equivalents, statutory deposits, insurance and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(vii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards. Gains and losses arising from a Company of similar transactions are reported on a net basis.

(viii) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(ix) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(a) Financial assets and liabilities *(continued)*

(ix) Fair value measurement (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the condensed interim income statement on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(x) Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets carried at amortized cost are impaired. A financial asset or a company of financial assets is/(are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Impairment losses on financial assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the original effective interest rate. Impairment losses are recognized in the income statement and reflected in an allowance account against such financial assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

(xi) Other financial instruments

Other financial liabilities include amounts payable in the future to agents and intermediaries in respect of insurance contracts issued by the Company. Payments are made on an annual basis on the anniversary of the inception of a contract if a contract has not been surrendered at that date.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(a) Financial assets and liabilities *(continued)*

(xi) Other financial instruments (continued)

These financial liabilities are measured at fair value on initial recognition. Fair value is determined by discounting the present value of the expected future payments at the discount rate that reflects current market assessment of the time value of money for a liability of equivalent average duration.

Subsequent to initial recognition these financial liabilities are stated at amortized cost using the effective interest method.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

(c) Insurance contracts

(i) Classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to occurrence of the insured event as compared to the non occurrence. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

(ii) Recognition and measurement

Premiums

Gross premiums written reflect amounts recognized during the year to policyholders or other insurers for insurance contracts, and exclude any fees and other amounts calculated based on premiums. These are recognized when the underwriting process is complete.

Premiums include any adjustments in respect of business written in prior accounting periods. The earned portion of premiums is recognized as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium provision

Unearned premiums are computed using mathematical models to spread premium written over the period of coverage and are equal to or higher than the minimum stipulated requirements in the United Arab Emirates (UAE) Insurance Companies law.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(c) Insurance contracts *(continued)*

(iii) Claims

Claims incurred comprise the settlement and the internal and external handling costs for paid claims and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims incurred comprise the settlement and the internal and external handling costs for paid claims and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(iv) Provision for premium deficiency/liability adequacy test

Provision is made for premium deficiency arising from insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions.

(v) Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment at each statement of financial position date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognized in statement of income in the period in which they are incurred.

Profit commission in respect of reinsurance contracts is recognized on an upfront basis and reinsurance commission is recognized when right to receive is created.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(c) Insurance contracts *(continued)*

(vi) Deferred acquisition cost

For general insurance contracts, the deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the statement of financial position date.

(vii) Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract liabilities or reinsurance contract assets.

(viii) Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the statement of financial position date, 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 statement of financial position date. This provision is computed using mathematical models to spread the premium written.

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

(d) Property and equipment

(i) Recognition and measurement

All items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent cost

The cost of replacing a part of property and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of day-to-day servicing of property and equipment is recognized in the income statement.

Gains and losses on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognized net within other operating income in the income statement.

(ii) Depreciation

Depreciation is recognized in the income statement on a straight-line basis over the remaining economic useful lives of all property and equipment. Freehold land and capital work in progress are not depreciated.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(d) Property and equipment *(continued)*

(ii) Depreciation (continued)

The economic useful lives of assets, from the date of use, for the current and comparative period are estimated to be as follows:

	Useful life
Building	15-20 years
Furniture, fixtures, and leasehold improvements	4-10 years
Office equipment	2-5 years
Motor vehicles	5 years

Depreciation methods, useful lives, and residual values are reassessed at each reporting date.

(iii) Impairment

The carrying amounts are reviewed at each reporting date for indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized in the income statement to the extent that carrying values do not exceed the recoverable amounts.

(e) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognized in operating income in the income statement.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The Company holds investment properties which are disclosed in note 11.

(f) Revenue non-insurance

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

Rental income

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

Interest income

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

Notes to the financial statements

3. Significant accounting policies *(continued)*

(f) Revenue non-insurance *(continued)*

Dividend income

Dividend income is recognized when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.

Fee and commission income

Fee and commissions received or receivable which do not require the Company to render further services are recognized as revenue by the Company on the effective commencement or renewal dates of the related policies.

Realized and unrealized gain

Net gains/losses on financial assets classified at fair value through profit and loss and fair value through other comprehensive income are described in note 3(b).

(g) Foreign currency

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realized and unrealized exchange gains and losses have been dealt with in the income statement.

(h) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. All of the Company's operating lease contracts are renewable.

(i) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The Company enters into operating leases for their investment properties. Rental income from such operating leases is recognized on a straight-line basis over the term of the relevant lease which does not exceed twelve months.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Staff end of service benefits

Defined benefit plan

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Defined contribution plan

The Company pays its obligations for UAE citizens into a Social Security and UAE Pension Fund in accordance with the UAE Federal Law No. (7) of 1999 for Pension and Social Security.

(l) Directors' remuneration

In accordance with the Ministry of Economy and Commerce interpretation of Article 118 of Federal Law No. (8) of 1984 (as amended), Directors' remuneration has been treated as an appropriation from equity.

(m) Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(n) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's management committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available in note 25.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these financial statements:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted.

The Company is still evaluating the potential effect of the adoption of the amendments to IAS 32.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (2013)

The IASB has issued amendments to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. Early application is permitted, which means that the amendments can be adopted at the same time as IFRS 13.

4. Risk management

This section summarizes the risks faced by the Company and the way the Company manages them.

(a) Introduction and overview

(i) Overall framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Management recognizes the critical importance of having efficient and effective risk management systems in place.

(ii) Capital management framework

The Company has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

Notes to the financial statements

4. Risk management *(continued)*

(a) Introduction and overview *(continued)*

(iii) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and shareholders and monitor closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize (e.g. unearned premium reserve) the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(b) Insurance risk

The Company accepts insurance risk through its written insurance contracts. The Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company writes the following types of general insurance contracts:

- Marine hull insurance
- Marine cargo insurance
- Aviation insurance
- Engineering insurance
- Energy insurance
- Liability insurance
- Property insurance
- Accident insurance
- Group life insurance
- Motor insurance
- Health insurance

Two key elements of the Company's insurance risk management framework are its underwriting strategy and reinsurance strategy, as discussed below.

Underwriting strategy

The Company's underwriting strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolios outcome.

The underwriting strategy is set out by the Company that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Company is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the portfolio. All general insurance contracts except marine, are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

Notes to the financial statements

4. Risk management *(continued)*

(b) Insurance risk *(continued)*

Underwriting strategy (continued)

Medical selection is part of the Company's underwriting procedures, whereby premiums are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts, including specific risks and guarantees, are tested for profitability according to predefined procedures before approval.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

The Company operates a number of oversight committees that monitor aggregate risk data and take overall risk management decisions.

Reinsurance Strategy

The reinsurance arrangements include excess and catastrophe coverage. The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

Ceded reinsurance contains credit risk, as discussed in the financial risk management note. The Company has a Reinsurance department that is responsible for setting the minimum security criteria for acceptable reinsurance and monitoring the purchase of reinsurance by the business units against those criteria. The department monitors developments in the reinsurance program and its ongoing adequacy.

The underwriters buy a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Company. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances. All purchases of facultative reinsurance are subject to business unit pre-approval and the total expenditure on facultative reinsurance is monitored regularly by the reinsurance department.

The estimated loss ratios are analyzed below by class of business for the current and previous year:

	Year ended 31 December 2013		Year ended 31 December 2012	
Type of risk	**Gross Loss Ratio**	**Net Loss Ratio**	Gross Loss Ratio	Net Loss Ratio
Commercial	**48%**	**48%**	26%	36%
Consumer	**90%**	**87%**	93%	90%

Notes to the financial statements

4. Risk management *(continued)*

(b) Insurance risk *(continued)*

Claim development process

The following schedule reflects the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an accident year basis:

Commercial (gross):

	2009 AED'000	**2010 AED'000**	**2011 AED'000**	**2012 AED'000**	**2013 AED'000**	**Total AED'000**
At the end of the reporting year	173,101	139,430	99,927	175,778	367,991	**956,227**
One year later	170,223	131,730	166,867	330,182	-	**799,002**
Two years later	141,871	163,853	197,276	-	-	**503,000**
Three years later	154,147	160,919	-	-	-	**315,066**
Four years later	159,179	-	-	-	-	**159,179**
Current estimate of cumulative claims	159,179	160,919	197,276	330,182	367,991	**1,215,547**
Cumulative payments to date	163,840	155,185	146,961	154,245	97,716	**717,947**
Liability recognized in the statement of financial position	**(4,661)**	**5,734**	**50,315**	**175,937**	**270,275**	**497,599**

Notes to the financial statements

4. Risk management *(continued)*

(b) Insurance risk *(continued)*

Claim development process (continued)

Consumer (gross):

	2009 AED'000	2010 AED'000	2011 AED'000	2012 AED'000	2013 AED'000	Total AED'000
At the end of the reporting year	379,730	534,517	728,499	818,923	873,294	**3,334,963**
One year later	404,871	614,270	821,900	896,441	-	**2,737,482**
Two years later	413,553	630,741	833,555	-	-	**1,877,850**
Three years later	415,379	633,318	-	-	-	**1,048,697**
Four years later	418,430	-	-	-	-	**418,430**
Current estimate of cumulative claims	418,430	633,318	833,555	896,441	873,294	**3,655,038**
Cumulative payments to date	419,503	634,764	835,409	897,394	751,454	**3,538,524**
Liability recognized in the statement of financial position	**(1,073)**	**(1,446)**	**(1,854)**	**(953)**	**121,840**	**116,514**

Notes to the financial statements

4. Risk management *(continued)*

(b) Insurance risk *(continued)*

Sensitivity of underwriting profit and losses

The contribution by the insurance operations to the net profit of the Company stood at 100% for the year ended 31 December 2013 *(2012: 100%)*. The Company does not foresee any adverse change in the contribution of insurance profit due to the following reasons:

The Company has an overall risk retention level in the region of 58% *(2012: 57%)* and this is mainly due to low retention levels in Engineering and Fire and Accident lines. However, for other lines of business the Company is adequately covered by excess of loss reinsurance programs to guard against any major financial impact.

The Company has net commission expenses of around 0.4% (*2012: income of 4%)* of the net underwriting income.

Concentration of insurance risk

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

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

The concentration of insurance risk as at 31 December 2013 was as follows:

	Commercial		Consumer		Total Exposure	
	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000
UAE	**647,817,312**	**72,959,186**	**14,080,925**	**13,050,801**	**661,898,237**	**86,009,987**
GCC countries	**49,161,598**	**4,390,206**	**32,547,143**	**22,036,523**	**81,708,741**	**26,426,729**
Others	**69,788,764**	**2,807,371**	**3,880,500**	**1,316,870**	**73,669,264**	**4,124,241**
	766,767,674	**80,156,763**	**50,508,568**	**36,404,194**	**817,276,242**	**116,560,957**

Notes to the financial statements

4. Risk management *(continued)*

(b) Insurance risk *(continued)*

Concentration of insurance risk (continued)
The concentration of insurance risk as at 31 December 2012 was as follows:

	Commercial		Consumer		Total exposure	
	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000
UAE	501,243,698	48,210,974	16,329,861	16,069,344	517,573,559	64,280,318
GCC countries	35,113,700	2,121,134	5,959,976	4,691,999	41,073,676	6,813,133
Others	39,946,442	1,652,591	117,462,702	31,485,644	157,409,144	33,138,235
	576,303,840	51,984,699	139,752,539	52,246,987	716,056,379	104,231,686

(c) Financial risk

The Company has exposure to the following risk from financial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risks
(iv) Operational risks

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

(i) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company has been established and policies and procedures are in place to mitigate the Company's exposure to credit risk:

Maximum exposure:

	2013 AED'000	2012 AED'000
Investments at amortized cost	**352,678**	218,674
Reinsurance contract assets	**394,406**	175,221
Trade and other receivables	**890,105**	789,412
Cash and bank	**854,310**	1,144,765
Total	**2,491,499**	2,328,072

Notes to the financial statements

4. Risk management *(continued)*

(c) Financial risk *(continued)*

(i) Credit risk (continued)
Compliance with the policy is monitored and exposures and breaches are regularly reviewed for changes in the risk environment.

For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the statement of financial position date.

Reinsurance is placed with reinsurers approved by the management, which are generally international reputed companies.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Management of credit risk
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 management annually.

The credit risk on liquid funds maintained with banks is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies or reputable local banks closely monitored by the regulatory body.

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.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment if required.

(ii) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities.

Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet commitments as they arise.

Notes to the financial statements

4. Risk management *(continued)*

(c) Financial risk *(continued)*

(ii) Liquidity risk (continued)

Management of liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Details of the Company's financial liabilities are summarized in the table below by the maturity profile of the Company's assets and liabilities based on the contractual repayment arrangements. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

		Contractual cash outflows		
	Carrying amount AED'000	**Notional amount AED'000**	**0 to 180 days AED'000**	**181 to 365 days AED'000**
Financial liabilities at 31 December 2013				
Insurance contract liabilities	**730,735**	**(730,735)**	**-**	**(730,735)**
Loan from a financial institution	**20,777**	**(20,777)**	**-**	**(20,777)**
Trade and other payables	**529,052**	**(529,052)**	**(529,052)**	**-**
Total	**1,280,564**	**(1,280,564)**	**(529,052)**	**(751,512)**
Financial liabilities at 31 December 2012				
Insurance contract liabilities	430,452	(430,452)	-	(430,452)
Loans from a financial institution	20,777	(20,777)	-	(20,777)
Trade and other payables	451,558	(451,558)	(451,558)	-
Total	902,787	(902,787)	(451,558)	(451,229)

(iii) Market risk

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

Notes to the financial statements

4. Risk management *(continued)*

(c) Financial risk *(continued)*

(iii) Market risk (continued)

Management of market risks

The Company is exposed to market price risk with respect to its quoted investments and investment properties.

The Company separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Company actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

Interest rate risk

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Company manages this risk principally through monitoring interest rate gaps and by matching the re-pricing profile of assets and liabilities.

The substantial portion of the Company's assets and liabilities are re-priced within one year. Accordingly, interest rate risk is limited to that extent.

The effective interest rate of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is an original effective interest rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating instrument or an instrument carried at fair value.

Sensitivity analysis

At the statement of financial position date if the interest rates are 1% (100 basis point) higher/lower and all the other variables were held constant the Company's net profit would have increased/decreased by AED 8,335 thousand *(2012: AED 10,121 thousand).*

The Company's interest rate risk is based on contractual arrangements with a carrying amount of AED 833 thousand *(2012: 1,012 thousand).*

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Company's functional currency is the UAE Dirham.

Notes to the financial statements

4. Risk management *(continued)*

(c) Financial risk *(continued)*

(iii) Market risk (continued)

Currency risk *(continued)*

The Company has considerable exposures denominated in US Dollar. As the AED Dirham is pegged to the US Dollar since November 1980 accordingly, the Company's exposure to currency risk is limited to that extent.

Equity price risk

Equity price risk arises from the change in fair value of equity investments. The Company manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

Sensitivity analysis

At the statement of financial position date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant:

For investments held at fair value through profit or loss:

- Net profit would have increased/decreased by AED 14,925 thousand *(2012: AED 2,200 thousand).*

For investments held at fair value through other comprehensive income:

- Changes in revaluation reserves of shares would increase/decrease by AED 63,732 thousand *(2012: AED 52,833 thousand)* as a result of the changes in fair value of quoted shares.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, human error, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Board has oversight responsibilities for operational risk management in the Company. These responsibilities are exercised through the Risk Management Committee with an established framework of policies and procedures to identify, assess, monitor, control, manage, and report risks. The Risk Management Committee employs clear internal policies and procedures to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance. The framework also provides the interrelation with other risk categories.

Notes to the financial statements

4. Risk management *(continued)*

(c) Financial risk *(continued)*

(iv) Operational risk (continued)

Compliance with policies and procedures is supported by periodic reviews undertaken by the Audit and Compliance Division. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

(d) Capital risk management

The Company's objectives when managing capital is to comply with the insurance capital requirements required by UAE Federal Law No. (6) of 2007 concerning Insurance Companies and Agents.

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

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

	2013 AED'000	2012 AED'000
Total capital held	**375,000**	375,000
Minimum regulatory capital	**100,000**	100,000

5. Use of estimates and judgments

In the process of applying the Company's accounting policies, management has made the following estimates and judgments, which have the most significant effect on the amounts recognized in the financial statements.

Key sources of estimation uncertainty

The areas of the Company's business containing key sources of estimation uncertainty include the measurement of insurance contract provisions and the determination of the fair values of financial instruments.

Critical accounting judgments in applying the Company's accounting policies

Measurement of insurance contract provisions

The Company's accounting policy in respect of insurance contract accounting is discussed in more detail in note 3(c). The key assumptions made in respect of insurance contract liabilities are included in note 3(c) (viii).

Notes to the financial statements

5. Use of estimates and judgments *(continued)*

Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Company. The Company's accounting policy for the classification of insurance is discussed in more detail in note 3(c) (i).

There are a number of contracts sold where the Company exercises judgment about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Company is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

Provision for outstanding claims, whether reported or not

Considerable judgment by management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the statement of financial position date. The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. 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. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

Classification of financial instruments

The Company's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

(i) In classifying financial assets as "amortized cost", the Company has determined that it meets the criteria for this designation set out in accounting policy 3(a) (iii).

(ii) In designating financial assets at fair value through other comprehensive income, the Company has determined that it has met the criteria for this designation set out in accounting policy 3(a) (iv).

Details of the Company's classification of financial assets and liabilities are given in note 3(a).

Determining fair values

The determination of fair value for financial assets and liabilities is based on quoted market price in an active market under level 1 of fair value hierarchy. The fair value of investment properties is based on accounting policy stated in note 3(e).

Notes to the financial statements

5. Use of estimates and judgments *(continued)*

Contingent liability arising from litigations

Due to the nature of its operations, the Company may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with any reasonable assurance.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost less recognized impairment losses, if any. Management believes that the carrying values of these unquoted equity investments are not materially different from their fair values.

Impairment of investments at amortized cost

The Company evaluates impairment on investments at amortized cost on an ongoing basis and a comprehensive review on a quarterly basis to assess whether an impairment charge should be recognized in the income statement. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgments about counterparty's financial situation and other means of settlement and the net realisable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating the credit and liquidity position of the policyholders and the insurance and reinsurance companies, historical recovery rates including detailed investigations carried out during 2013 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the profit or loss at the time of collection. Provision for the doubtful debts on insurance receivables at 31 December 2013 was AED 97,701 thousand *(2012: AED 89,502 thousand).*

Liability adequacy test

At each statement of financial position date, 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 investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

Notes to the financial statements

5. Use of estimates and judgments *(continued)*

Fair value of land held as investment property

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

The fair value of investment property was determined by a registered independent appraiser with a recognized and relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation models in accordance with those recommended by the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards have been applied and are consistent with the principles in IFRS 13.

6. Fair values of financial instruments

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively. The change had no significant impact on the measurements of the Company's assets and liabilities.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in the different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Notes to the financial statements

6. Fair value of financial instruments *(continued)*

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Reconciliation of level 3

Net investments of AED 65.2 million *(2012: AED 77.1 million)* were added during the year. During the year, a revaluation gain was recorded through other comprehensive income for AED 22.9 million *(2012: AED 3.7 million).*

(a) *Financial instruments measured at fair value – fair value hierarchy*

The table below analyzes financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2013				
Investments at fair value through profit or loss	**65,670**	**7,801**	**75,775**	**149,246**
Investment at fair value through OCI	**517,235**	**-**	**120,083**	**637,318**
	582,905	**7,801**	**195,858**	**786,564**
31 December 2012				
Investments at fair value through profit or loss	11,424	-	10,581	22,005
Investment at fair value through OCI	385,356	-	142,974	528,330
	396,780	-	153,555	550,335

Fair value of financial instruments measured at amortized cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed financial statements approximate their fair values.

	Carrying amount AED'000	Fair value AED'000
31 December 2013		
Financial assets:		
Investments at amortized cost	**352,678**	**364,625**
31 December 2012		
Financial assets:		
Investments at amortized cost	218,674	**240,278**

(b) *Financial instruments not measured at fair value – fair value hierarchy*

Assets and liabilities that are not measured at fair value, their carrying values are close approximates of their fair values. These assets and liabilities primarily belong to Level 2 in the fair value hierarchy.

Notes to the financial statements

7. Trade and other receivables

	2013 AED'000	2012 AED'000
Trade receivables	**967,260**	862,238
Less: impairment provision of receivables	**(97,071)**	(89,502)
Net trade receivables	**870,189**	772,736
Interest receivable	**6,254**	6,105
Other receivables	**132,640**	104,494
	1,009,083	883,335

The average credit period on sale of services is 120 days. No interest is charged on trade and other receivables. Trade receivables are provided for, after considering claims payable to policyholders (debtors are provided for based on the net exposure to the Company).

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Included in the Company's trade receivable balances are debtors amounting to AED 152 million *(2012: AED 150 million)* which are past due at the reporting date for which the Company has not made a provision as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of trade receivables and due from related parties are as follows:

	2013 AED'000	2012 AED'000
Not past due	**717,710**	622,337
Past due but not impaired		
121 to 365 days	**108,687**	116,574
More than 1 year but less than 2 years	**34,467**	31,830
More than 2 years	**9,325**	1,995
	152,479	150,399
Past due and impaired		
121 to 365 days	**923**	371
More than 1 year but less than 2 years	**726**	11,581
More than 2 years	**95,422**	77,550
	97,071	89,502
Total due	**967,260**	862,238

Notes to the financial statements

7. Trade and other receivables *(continued)*

The Company does not have any past history of significant defaults of balances due from related parties and other receivables since the majority of the counterparties are parties owned by the shareholders.

Movement in the allowance for doubtful debts:

	2013 AED'000	2012 AED'000
Balance at the beginning of the year	**89,502**	54,502
Impairment losses recognized	**8,876**	35,000
Write-off of bad debts	**(1,307)**	-
Balance at the end of the year	**97,071**	89,502

8. Insurance contract liabilities and reinsurance contract assets

	2013 AED'000	2012 AED'000
Insurance contract liabilities		
Outstanding claims	**614,387**	359,593
Claims incurred but not reported	**116,348**	70,859
Unearned premiums	**1,150,030**	1,050,928
	1,880,765	1,481,380
Reinsurance contract assets		
Outstanding claims	**394,406**	175,221
Claims incurred but not reported	**43,034**	19,285
Unearned premiums	**525,045**	469,817
	962,485	664,323
Insurance liabilities - net		
Outstanding claims	**219,981**	184,372
Claims incurred but not reported	**73,314**	51,574
Unearned premiums	**624,985**	581,111
	918,280	817,057

Notes to the financial statements

8. Insurance contract liabilities and reinsurance contract assets *(continued)*

Movement in the insurance contract liabilities and reinsurance contract assets during the year was as follows:

	31 December 2013			31 December 2012		
	Gross AED'000	Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED'000	Net AED'000
Claims						
Outstanding claims	359,593	175,221	184,372	220,644	86,741	133,903
Incurred but not reported	70,859	19,285	51,574	41,362	14,549	26,813
Total at 1 January	430,452	194,506	235,946	262,006	101,290	160,716
Claims settled	(1,274,794)	(282,726)	(992,068)	(1,086,726)	(225,972)	(860,754)
Increase in liabilities	1,575,077	525,660	1,049,417	1,255,172	319,188	935,984
Total at 31 December	730,735	437,440	293,295	430,452	194,506	235,946
Outstanding claims	614,387	394,406	219,981	359,593	175,221	184,372
Incurred but not reported	116,348	43,034	73,314	70,859	19,285	51,574
Total at 31 December	730,735	437,440	293,295	430,452	194,506	235,946
Unearned premium						
Total at 1 January	1,050,928	469,817	581,111	937,494	455,487	482,007
Increase during the year	1,150,030	525,045	624,985	1,050,928	469,817	581,111
Release during the year	(1,050,928)	(469,817)	(581,111)	(937,494)	(455,487)	(482,007)
Net increase during the year	99,102	55,228	43,874	113,434	14,330	99,104
Total at 31 December	1,150,030	525,045	624,985	1,050,928	469,817	581,111

9. Statutory deposit

In accordance with the requirements of Federal Law No. (6) of 2007 (as amended), covering insurance companies and agencies, the Company maintains a bank deposit of AED 10,000,000 *(2012: AED 10,000,000)* which cannot be utilized without the consent of the UAE Ministry of Economy and Commerce.

Notes to the financial statements

10. Investments

	2013 AED'000	2012 AED'000
Investments at fair value through other comprehensive income	637,318	528,331
Investments at amortized cost	352,678	218,674
Investment at fair value through profit or loss	149,246	22,004
Investments at 31 December	1,139,242	769,009

	2013 AED'000	2012 AED'000
Investments at fair value through other comprehensive income		
Fair value at 1 January	528,331	416,570
Additions during the year	508,738	331,577
Disposals during the year	(518,307)	(288,002)
Net increase in fair value	118,556	68,186
Fair value 31 December	637,318	528,331

	2013 AED'000	2012 AED'000
Investment at amortized cost		
Opening balance at 1 January	218,674	152,499
Additions during the year	146,478	72,858
Disposals during the year	(9,535)	(4,150)
Net amortization income	(2,939)	(2,533)
Closing balance as at 31 December	352,678	218,674

	2013 AED'000	2012 AED'000
Investments at fair value through profit and loss		
Fair value at 1 January	22,004	8,408
Additions during the year	151,924	13,438
Disposals during the year	(27,476)	(879)
Net increase in fair value	2,794	1,037
Fair value as at 31 December	149,246	22,004

Notes to the financial statements

11. Investment properties

	Abu Dhabi Head Office Land and Building (i) AED'000	Al Ain Land and Building (ii) AED'000	Sharjah Land and Building (iii) AED'000	Al Raha Beach (Plot 406) Land and Building (iv) AED'000	Al Raha Beach (Plot 408) Land and Building (v) AED'000	Total AED'000
At 1 January 2012	158,400	11,000	30,000	151,578	70,615	421,593
Property under development	-	-	-	139,195	28,510	167,705
At 1 January 2013	**158,400**	**11,000**	**30,000**	**290,773**	**99,125**	**589,298**
Property under development	-	-	-	48,145	41,243	89,388
Increase in fair value during the year	8,860	500	2,000	16,882	-	28,242
At 31 December 2013	**167,260**	**11,500**	**32,000**	**355,800**	**140,368**	**706,928**
Fair value at 31 December 2012	158,400	11,000	30,000	290,773	99,125	589,298

(i) Abu Dhabi Head Office Land and Building

The construction of this building which comprises 14 floors was completed in 1980.

(ii) Al Ain Land and Building

The construction of this 6-story building was completed in 2003. The entire building is available for letting to third parties.

(iii) Sharjah Land and Building

This 16-story building was purchased during 1993. The entire building is available for letting to third parties.

(iv) Al Raha Beach Land and Building (Plot 406)

In 2007, the Company purchased land at Al Raha Beach in Abu Dhabi City (Plot 406). The construction in plot no. 406 was completed in 2013. Additions during the year represent construction costs.

(v) Al Raha Beach Land and Building (Plot 408)

In 2007, the Company purchased land at Al Raha Beach in Abu Dhabi City (Plot 408). Additions during the year represent construction costs.

Notes to the financial statements

11. Investment properties *(continued)*

Measurement of fair value

The fair values of the Company's investment properties are categorized into level 3 of the fair value hierarchy. The fair value of all the investment properties were determined by an external, independent property valuer having appropriate recognized professional qualifications and recent experience in the locations and categories of the properties being valued.

The fair value of investment properties, except for land, is determined using a discounted cash flow (DCF). The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

The estimated fair value would increase/(decrease) if:

- Expected market rental growth were higher/(lower);
- Void periods were shorter/(longer);
- The occupancy rate were higher/(lower);
- Rent-free periods were shorter (longer); or
- The risk-adjusted discount rate were lower (higher).

Notes to the financial statements

12. Property and equipment

Property and equipment consist of the Company's bulding, furniture and fixtures, office equipment, motor vehicles, and capital work in progess. Cost and accumulated depreciation accounts are aggregated as follows:

	Building AED'000	Furniture, fixtures and leasehold improvements AED'000	Office equipment AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost						
At 1 January 2012	24,095	37,353	13,032	588	11,146	86,214
Additions	-	5,319	3,189	7	12,430	20,945
Disposals	-	(1,262)	-	(379)	-	(1,641)
Transfers during the period	-	(2,130)	2,130	-	-	-
At 31 December 2012	24,095	39,280	18,351	216	23,576	105,518
At 1 January 2013	24,095	39,280	18,351	216	23,576	105,518
Additions	452	2,296	13,305	-	(2,896)	13,157
Disposals	-	(570)	-	-	-	(570)
At 31 December 2013	**24,547**	**41,006**	**31,656**	**216**	**20,680**	**118,105**
Depreciation						
At 1 January 2012	499	11,623	5,779	543	-	18,444
Charge for the year	1,246	5,878	3,122	17	-	10,263
Disposal for the period	-	(1,183)	-	(378)	-	(1,561)
Transfers during the period	-	(764)	764	-	-	-
At 31 December 2012	**1,745**	**15,554**	**9,665**	**182**	**-**	**27,146**
At 1 January 2013	1,745	15,554	9,665	182	-	27,146
Charge for the year	1,292	5,748	4,149	17	-	11,206
Disposal for the period	-	(525)	-	-	-	(525)
At 31 December 2013	**3,037**	**20,777**	**13,814**	**199**	**-**	**37,827**
Carrying amounts						
At 1 January 2012	23,596	25,730	7,253	45	11,146	67,770
At 31 December 2012	22,350	23,726	8,686	34	23,576	78,372
At 31 December 2013	**21,510**	**20,229**	**17,842**	**17**	**20,680**	**80,278**

Notes to the financial statements

13. Share capital

	2013 AED'000	2012 AED'000
Authorized:		
375,000,000 ordinary shares of AED 1 each (*2012* – 375,000,000 ordinary shares of AED 1 each)	**375,000**	375,000
Issued and fully paid:		
375,000,000 ordinary shares of AED 1 each (*2012* – 375,000,000 ordinary shares of AED 1 each)	**375,000**	375,000

14. Legal reserve

In accordance with the UAE Federal Law No. (8) of 1984 (as amended) concerning Commercial Companies and the Company's Articles of Association, 10% of net profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution. Since the Company reached the 50% limit, no transfer has been made during this year.

15. General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors and the approval of the General Assembly. This reserve may be used for such purposes as the Directors deem fit.

16. Retained earnings

The Board of Directors propose, subject to the approval of the Annual Ordinary General Assembly, a cash dividend in respect of the year 2013 of AED 0.45 per share at 45% of par value *(2012 of AED 0.40 per share at 40% of par value).*

17. Provision for staff end of service benefits

	2013 AED'000	2012 AED'000
Balance at the beginning of the year	**27,545**	29,481
Charge for the year	**2,849**	3,628
Paid during the year	**(4,658)**	(5,564)
Balance at the end of the year	**25,736**	27,545

Notes to the financial statements

18. Trade and other payables

	2013 AED'000	2012 AED'000
Trade accounts payable	**465,130**	413,366
Accrued expenses	**17,582**	16,929
Deferred income	**12,516**	2,641
Other accounts payable	**46,340**	76,981
	541,568	509,917

19. Loans from a financial institution

	2013 AED'000	2012 AED'000
Loans from a financial institution	**20,777**	20,777

The loan carries an interest rate of 1.47% to 1.60% per annum.

20. Net investment and other income

	2013 AED'000	2012 AED'000
Increase in fair value of investment properties	**28,242**	-
Dividend income	**27,406**	19,845
Net rental income	**9,441**	10,309
Net interest income on bank deposits and bonds	**35,136**	46,170
Unrealized gain on revaluation of investment at fair value through profit and loss account	**2,794**	1,037
Realized gain on disposal of investments at fair value through profit and loss account	**601**	-
Net other (expenses)/income	**(4,020)**	3,694
	99,600	81,055

Notes to the financial statements

21. General and administrative expenses

	2013 AED'000	2012 AED'000
Salaries and other benefits	**149,540**	140,888
Impairment of receivables	**8,876**	35,000
Depreciation charge	**11,206**	10,263
Advertisement	**6,142**	7,159
Rent	**5,198**	4,920
Communication and office supplies	**5,460**	5,412
Others	**22,803**	11,871
	209,225	215,513

22. Basic and diluted earnings per ordinary share

Earnings per ordinary share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2013 AED'000	2012 AED'000
Net profit for the year	**180,944**	144,740
Ordinary shares in issue throughout the year	**375,000**	375,000
Basic and diluted earnings per share (AED)	**0.48**	0.39

The Company has not issued any instrument which would have an impact on earnings per share when exercised.

Notes to the financial statements

23. Related parties

Identity of related parties

Related parties comprise major shareholders, directors, key management and those entities in which they have the ability to control or exercise significant influence in financial and operational decisions. The Company maintains significant balances with these related parties which arise from commercial transactions as follows:

Balances

Balances with related parties at the reporting date are shown below:

	Directors and key management 31 December 2013 AED'000	Major shareholder 31 December 2013 AED'000	Others 31 December 2013 AED'000	Total 31 December 2013 AED'000	Total 31 December 2012 AED'000
Trade and other receivables	639	116	48,101	48,856	45,550
Trade and other payables	1	236	1,849	2,086	1,113
Cash and bank balances	-	-	385,943	385,943	452,613
Investments	-	-	81,670	81,670	45,714
Statutory deposits	-	-	10,000	10,000	10,000
Insurance contract liabilities	255	1,148	49,208	50,611	42,317

Others comprise companies controlled by the Directors and other key management personnel.

Notes to the financial statements

23. Related parties *(continued)*

Transactions

Transactions carried out during the reporting period with related parties are shown below:

	Directors and key management 2013 AED'000	Major shareholder 2013 AED'000	Others 2013 AED'000	Total 2013 AED'000	Total 2012 AED'000
Premium written	579	2,443	121,208	124,230	113,724
Claims incurred	449	1,753	70,095	72,297	68,058
Dividend income	-	-	1,992	1,992	2,233
Interest income	-	-	3,049	3,049	21,524

No allowances for impairment have been recognized against trade and other receivables extended to related parties or contingent liabilities issued in favor of related parties during the year 2013 *(year ended 31 December 2012: AED nil).*

Transactions with key management personnel

Key management compensation is as shown below:

	31 December 2013 AED'000	31 December 2012 AED'000
Salaries and short-term benefits	21,957	20,669
Staff end of service benefits	1,796	2,840
Directors' remuneration	5,800	5,800
	29,553	29,309

Notes to the financial statements

24. Cash and cash equivalents

Cash and cash equivalents at the end of the year as shown in the cash flow statement can be reconciled to the related items in the consolidated statement of financial position as follows:

	2013 AED'000	2012 AED'000
Cash in hand	**88**	91
Statutory Deposit	**10,000**	10,000
Cash/call/current accounts at local UAE banks	**844,310**	1,134,765
	854,398	1,144,856
Less: Deposits with original maturities of greater than three months	**(313,751)**	(879,990)
Cash and cash equivalents	**540,647**	264,866

Fixed deposits and call accounts with banks carry interest rates of 0.5% - 3.25% *(2012: 0.1% 3.25%)* per annum.

25. Segment information

The Company is organized into two main business segments:

Underwriting of commercial lines of business – incorporating all classes of general insurance including marine cargo, marine hull, aviation, energy, property and engineering.

Underwriting of consumer line of business – incorporating all classes of insurance including accident, motor and medical.

Assets and liabilities of the Company are commonly used across the segments. There were no transactions between the segments.

Notes to the financial statements

25. Segment information *(continued)*

	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
	Commercial		**Consumer**		**Total**	
Gross written premium	**1,295,928**	1,203,914	**1,110,448**	1,095,273	**2,406,376**	2,299,187
Less: Reinsurance premium ceded	**(909,979)**	(901,235)	**(93,626)**	(84,812)	**(1,003,605)**	(986,047)
Net written premium	**385,949**	302,679	**1,016,822**	1,010,461	**1,402,771**	1,313,140
Net change in unearned premium reserves	**(47,980)**	(23,713)	**4,106**	(75,391)	**(43,874)**	(99,104)
Net premium earned	**337,969**	278,966	**1,020,928**	935,070	**1,358,897**	1,214,036
Gross claims paid	**(257,705)**	(169,093)	**(1,017,089)**	(917,633)	**(1,274,794)**	(1,086,726)
Less: Reinsurance share of claims paid	**173,564**	108,127	**109,162**	117,845	**282,726**	225,972
Net claims paid	**(84,141)**	(60,966)	**(907,927)**	(799,788)	**(992,068)**	(860,754)
Net change in Outstanding claims and IBNR	**(74,635)**	(38,104)	**17,286**	(37,126)	**(57,349)**	(75,230)
Net claims incurred	**(158,776)**	(99,070)	**(890,641)**	(836,914)	**(1,049,417)**	(935,984)
Gross commission income	**116,231**	103,062	**560**	(5)	**116,791**	103,057
Less: Commission expenses incurred	**(70,533)**	(57,101)	**(47,281)**	(35,526)	**(117,814)**	(92,627)
Net commissions income	**45,698**	45,961	**(46,721)**	(35,531)	**(1,023)**	10,430
Other underwriting income	**5,221**	11,200	**5,013**	4,599	**10,234**	15,799
Less: Other underwriting expenses	**(11,325)**	(12,406)	**(16,797)**	(12,677)	**(28,122)**	(25,083)
Net Other underwriting income	**(6,104)**	(1,206)	**(11,784)**	(8,078)	**(17,888)**	(9,284)
Net underwriting income	**218,787**	224,651	**71,782**	54,547	**290,569**	279,198
Net investment and other income					**99,600**	81,055
General and administrative expenses					**(209,225)**	(215,513)
Net profit for the year					**180,944**	144,740

Notes to the financial statements

26. Contingent liabilities and commitments

	2013 AED'000	2012 AED'000
Bank guarantees	**96,032**	72,160
Letters of credit	**41**	41

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

27. Comparative figures

Certain comparative figures have been reclassified to confirm the presentation for the current year financial statements. Such reclassification neither has any impact on the income and expenses nor on the assets and liabilities for the previous year.

Abu Dhabi National Insurance Company (ADNIC)

Locations

Head Office
ADNIC Corporate Headquarters
P.O. Box: 839 – Abu Dhabi
Tel: 02 4080100
Fax: 02 4080604
Toll Free: 8008040
Email: adnic@adnic.ae
Website: www.adnic.ae

Regional Branch
Abu Dhabi & Western Region
Al Zubara Tower, Ground Floor, Al Salam Street
P.O.Box: 3275 – Abu Dhabi
Tel: 02 4080400
Fax: 02 4080699

Al Ain Branch
H.E. Khalaf Bin Ahmad Al-Otaibah Building
Sheikh Zayed Road (Main Street)
P.O. Box: 1407 – Al Ain
Tel: 03 7641834
Fax: 03 7663147

Dubai Branches
Deira Branch
Al Muraikhi Tower, Al Maktoum Street
P.O. Box: 11236 – Deira
Tel: 04 2222223
Fax: 04 2235672

Sheikh Zayed Road Branch
Indigo Building No. 4
P.O. Box: 118658 – Dubai
Tel: 04 5154800
Fax: 04 3306751

Sharjah Branch
Al Hosn Tower,
Showroom No. 2, Building No. 617/A
Al Ittihad Street
P.O. Box: 3434 – Sharjah
Tel: 06 5683743
Fax: 06 5682713

Sales and Services Centers

Abu Dhabi Office
Abu Dhabi Traffic Police – Vehicle Test Section
Tel: 02 4448611
Fax: 02 4447872

Mussafah Office
No. M42, Mussafah Industrial Area
Heavy Vehicle Registration Office, UAE
Traffic Department
Tel: 02 5511382
Fax: 02 5511382

Samha Traffic Office
Samha ADNOC Station
Tel: 02 5620162
Fax: 02 5620162

Madinat Zayed Office
Abu Dhabi Traffic Police – Heavy Vehicle
Tel: 02 8841577
Fax: 02 8841577

Ruwais Office
Ruwais City – Main ADNOC Station
Tel: 02 8772123
Fax: 02 8772123

Al Ain Office
Al Ain Traffic Police Department – Zakher
Tel: 03 7828666
Fax: 03 7663147

Mizyad Office
Abu Dhabi Traffic Police Department
Tel: 03 7824250
Fax: 03 7663147

Ghuwaifat Border Office
Tel: 02 8723080
Fax: 02 8723080

Khalifa City Office
C9, Ground Floor, Etihad Plaza Complex
Tel: 02 4080547/02 5568048
Fax: 02 5567697