

INSURANCE HOUSE – P.S.C
PUBLIC SHAREHOLDING COMPANY
ABUDHABI- UNITED ARAB EMIRATES

INTERIM FINANCIAL STATEMENTS AND
REVIEW REPORT FOR THE PERIOD FROM
11 APRIL 2011 TO 30 JUNE 2012

INSURANCE HOUSE P.S.C
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

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REVIEW REPORT

**The Shareholders'
Insurance House P.S.C
Public Shareholding Company
Abu Dhabi - United Arab Emirates**

Introduction

We have reviewed the accompanying interim financial statements of **Insurance House P.S.C** - Public Shareholding Company - Abu Dhabi, as at 30 June 2012 which comprise the interim statement of financial position as at 30 June 2012, and the related interim statement of income, related interim statement of comprehensive income, related interim statement of changes in shareholders' equity and interim statement of cash flows for the period from 11 April 2011 to 30 June 2012 and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion of these interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Talal Abu Ghazaleh & Co. International

Firas Kilani

Licensed Auditor No. 632

11 July 2012



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Abu Dhabi Office: Tel: (971-2) 672 4425/26 Fax: (971-2) 672 3526

Al-Masraf Bldg., 8th floor, Sheikh Hamdan St., P.O.Box : 4295, Abu-Dhabi, UAE

INSURANCE HOUSE P.S.C
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

EXHIBIT A

INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

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

	<u>NOTE</u>	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	4	23,462,532	56,373,273
Bank fixed deposits	5	141,700,003	68,317,266
Re-insurance contract assets	13 (a)	3,018,702	----
Insurance and other receivables	6	15,493,111	388,202
Other current assets	7	4,651,659	711,211
Investments designated at fair value through profit and loss (FVTPL)	8 (a)	2,615,314	----
Total current assets		190,941,321	125,789,952
<u>NON-CURRENT ASSETS</u>			
Investments designated at fair value through other comprehensive income (FVTOCI)	8 (b)	9,230,824	----
Financial assets - held to maturity	9	146,699,000	----
Statutory deposit	10	6,000,000	----
Property and equipment	11	1,756,009	12,168
Total non - current assets		163,685,833	12,168
TOTAL ASSETS		354,627,154	125,802,120
<u>LIABILITIES AND SHAREHOLDERS EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Bank over draft		5,672,060	----
Borrowings from banks	12	200,002,645	----
Insurance contract liabilities	13 (b)	22,354,721	----
Insurance and other payables	14	3,950,161	5,906,559
Total current liabilities		231,979,587	5,906,559
<u>NON - CURRENT LIABILITY</u>			
End of service benefits obligation		206,132	----
Total non - current liability		206,132	----
<u>SHAREHOLDERS EQUITY</u>			
Share capital	15	120,000,000	120,000,000
Legal reserve		385,635	----
Investment revaluation reserve		(1,310,475)	----
Retained earnings / (losses)		3,366,275	(104,439)
Net shareholders equity - Exhibit C		122,441,435	119,895,561
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		354,627,154	125,802,120

Mr. Mohammed Othman
General Manager

Mr. Mohammed Alqubaisi
Chairman

*THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THESE INTERIM FINANCIAL STATEMENTS*

INSURANCE HOUSE P.S.C
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

EXHIBIT B

**INTERIM STATEMENT OF INCOME FOR THE
PERIOD FROM 11 APRIL 2011 TO 30 JUNE 2012**

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

	<u>NOTE</u>	<u>For the period from 11 April 2011 to 30 June 2012</u>	<u>For the period from 11 April 2011 to 30 June 2011</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
Revenues			
Gross premiums written	22 (c)	<u>41,726,478</u>	584,246
Change in unearned premium provision		<u>(16,499,580)</u>	(113,510)
Premium income earned		<u>25,226,898</u>	470,736
Re-insurance premiums ceded		<u>(8,144,610)</u>	(370,487)
Change in re-insurance portion of unearned premium provision		<u>3,018,702</u>	17,687
Re-insurance premiums ceded		<u>(5,125,908)</u>	(352,800)
Net earned premiums		<u>20,100,990</u>	117,936
Commission income		<u>667,529</u>	3,975
Claims recovered		<u>3,648,327</u>	----
Operating Expenses	16	<u>(19,553,930)</u>	----
Net underwriting profit		<u>4,862,916</u>	121,911
General and administrative expenses	17	<u>(12,669,440)</u>	(1,649,638)
Other income (net)	18	<u>11,662,873</u>	971,771
Profit / (loss) for the period - Exhibit D		<u>3,856,349</u>	(555,956)
Earnings per ordinary share	19	<u>0.0321</u>	(0.0046)

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INSURANCE HOUSE P.S.C
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

CONT. EXHIBIT B

INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE
PERIOD FROM 11 APRIL 2011 TO 30 JUNE 2012

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

	<u>For the period</u> <u>from 11 April 2011</u> <u>to 30 June 2012</u>	<u>For the period</u> <u>from 11 April 2011</u> <u>to 30 June 2011</u>
	<u>NOTE</u>	<u>(Unaudited)</u>
Profit / (loss) for the period	3,856,349	(555,956)
Other comprehensive (loss):		
Fair value loss on investments designated at fair value through other comprehensive income (FVTOCI) 8 (b)	(1,310,475)	(463,225)
Other comprehensive (loss) for the period	(1,310,475)	(463,225)
Total comprehensive profit / (loss)		
for the period - Exhibit C	<u>2,545,874</u>	<u>(1,019,181)</u>

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INSURANCE HOUSE P.S.C
PUBLIC SHAREHOLDING COMPANY
ABU DHABI- UNITED ARAB EMIRATES

EXHIBIT C

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE PERIOD FROM 11 APRIL 2011 TO 30 JUNE 2012
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	<u>Share capital</u>	<u>Legal Reserve</u>	<u>Investment revaluation reserve</u>	<u>Retained (losses) / earnings</u>	<u>Total</u>
Shareholders equity at 11 April 2011 - Exhibit A (Audited) (Loss) for the period - Exhibit B Other comprehensive (loss) for the period - Exhibit B Shareholders equity at 30 June 2011 - (Unaudited)	120,000,000 --- --- <u>120,000,000</u>	---	---	(104,439) (555,956) --- <u>(463,225)</u>	119,895,561 555,956) (463,225) 118,876,380
Shareholders equity at 11 April 2011 - Exhibit A (Audited) Profit for the period - Exhibit B Other comprehensive (loss) for the period - Exhibit B Transferred to legal reserve Shareholders equity at 30 June 2012 - Exhibit A (Unaudited)	120,000,000 --- --- --- <u>120,000,000</u>	---	---	(104,439) 3,856,349 --- (385,635) <u>(1,310,475)</u>	119,895,561 3,856,349 (1,310,475) ---
					<u>122,441,435</u>

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INSURANCE HOUSE P.S.C
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

EXHIBIT D

INTERIM STATEMENT OF CASH FLOWS FOR
THE PERIOD FROM 11 APRIL 2011 TO 30 JUNE 2012
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	<u>For the period</u> <u>from 11 April 2011</u> <u>to 30 June 2012</u> <u>(Unaudited)</u>	<u>For the period</u> <u>from 11 April 2011</u> <u>to 30 June 2011</u> <u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit / (loss) for the period - Exhibit B	3,856,349	(555,956)
Adjustment to reconcile net income to net cash provided by operating activities		
Net movement in re-insurance contract assets	(3,018,702)	----
Net movement in insurance contract liabilities	22,354,721	----
Depreciation of property and equipment	509,100	32,257
Provision for doubtful debts	200,311	----
End of service benefits obligation	206,132	36,404
Interest income on fixed deposits	(2,455,305)	(646,433)
Operating profit / (loss) before working capital changes	21,652,606	(1,133,728)
Changes in the components of working capital:		
(Increase) in insurance and other receivables	(14,185,033)	(93,088)
(Increase) in other current assets	(3,940,448)	(249,077)
Increase in insurance and other payables	2,906,708	413,685
<i>Net cash flows from / (used in) operating activities</i>	<u>6,433,833</u>	<u>(1,062,208)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) in bank fixed deposits	(73,382,737)	(488,848)
(Increase) in financial assets - held to maturity	(146,699,000)	(39,534,915)
(Increase) in investments designated at fair value through profit and loss (FVTPL)	(2,615,314)	----
(Increase) in investments designated at fair value through other comprehensive income (FVTOCI)	(10,541,299)	(6,021,364)
(Increase) in statutory deposit	(6,000,000)	(6,000,000)
Purchase of property and equipment	(2,252,941)	(1,145,119)
Interest income on fixed deposits	2,455,305	646,433
<i>Net cash flows (used in) investing activities</i>	<u>(239,035,986)</u>	<u>(52,543,813)</u>
CASH FLOWS FROM FINANCING ACTIVITIES :		
(Increase) in related parties - receivables	(1,120,187)	----
Increase in bank over draft	5,672,060	----
Increase in borrowings from banks	200,002,645	27,102,724
(Decrease) in related parties - payables	(4,863,106)	(5,495,388)
<i>Net cash flows from financing activities</i>	<u>199,691,412</u>	<u>21,607,336</u>
NET CASH FLOWS (USED) DURING THE PERIOD	(32,910,741)	(31,998,685)
Cash and cash equivalents at beginning of the period	56,373,273	56,373,273
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD - Note 4	<u>23,462,532</u>	<u>24,374,588</u>

THE ACCOMPANYING NOTES ARE AN

INTEGRAL PART OF THESE INTERIM FINANCIAL STATEMENTS

INSURANCE HOUSE P.S.C
PUBLIC SHAREHOLDING COMPANY
ABU DHABI - UNITED ARAB EMIRATES

NOTES TO INTERIM FINANCIAL STATEMENTS
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

1. STATUS AND ACTIVITIES

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

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

- b) The registered office of the Company is P.O. Box 129921 Abu Dhabi, United Arab Emirates.

2. AMENDMENTS AND ADOPTION TO / OF STANDARDS

Amendments to standards IFRS 7,
IAS 1, IAS 19 and IAS 36.

Effective for annual periods beginning
on or after 1 January 2009.

The company has early adopted IFRS 9 Financial Instruments in this interim financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Interim Financial Statements Preparation Framework*

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

b. *Statement of compliance*

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

c. *Basis of preparation*

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

d. *Financial assets*

Financial assets are classified into the following specified categories: financial assets designated at fair value through other comprehensive income (FVTOCI), financial assets at fair value through profit or loss (FVTPL), held to maturity (HTM), 'loans and receivables and cash and cash equivalents. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i) *Cash and cash equivalents*

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

ii) *Insurance receivables*

Insurance receivables are stated at net realizable value. When a insurance receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the interim statement of comprehensive income.

iii) *Loans and receivables*

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

e. *Related parties*

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

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

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, the are measured at fair value with gains and losses arising from changes in fair value recognized in interim other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

g. *Financial assets - held to maturity*

Held-to-maturity investments include debt instruments with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity.

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

h. *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each period. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

With the exception of financial assets at fair value designated through other comprehensive income (FVTOCI), if, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

i. *Property and equipment*

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

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

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

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

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

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

j. *Impairment of tangible assets*

At each interim statement of financial position date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset. An impairment loss is recognized immediately in the interim statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately in the interim statement of comprehensive income unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k. *Financial liabilities*

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

l. *Borrowing costs*

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

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

m. *End of service benefits obligation*

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

n. *Legal reserve*

Pursuant to the Company's Article of Association, 10% of net profit for the year to be withheld annually and retained in the legal reserve account. The deduction shall be suspended when the balance in this reserve account amounts to at least 50% of the Company's capital.

o. *Revenue recognition*

Recognition and measurement

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

These contracts are casualty and property insurance contracts.

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

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

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

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

Re-insurance contracts held

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

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the company and still unpaid at the end of the reporting period, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the interim financial position date and is estimated using the time proportionate method. The unearned premium calculated by the above method (after reducing the reinsurance share) complies with the minimum unearned premium amounts to be maintained suing the 25% and 40% method for marine and non - margined business respectively, as required by UAE Federal Law No. 6 of 2007, as amended, concerning insurance companies and agents. The unearned premium calculated by the time proportionate method accounts of the estimates acquisition costs incurred by the company to acquire policies and defers these over the life of the policy.

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

Deferred policy acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are amortized over the terms of the policies as premium is earned.

Salvage and subrogation reimbursements

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

Liability adequacy test

At the end of each reporting period, liability adequacy test are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs. Any deficiency is immediately charged to profit or loss initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

Receivables and payables related to insurance contracts

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

If there is objective evidence that the insurance receivable is impaired, the company reduces the carrying amount of the insurance receivable accordingly and recognized that impairment loss in profit or loss.

Interest income

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

p. *Foreign currencies*

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

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

q. *Contingent liabilities*

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

r. *Critical accounting judgments and key sources of estimation uncertainty*

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

i) *The ultimate liability arising from claims made under insurance contracts*

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

ii) *Liability adequacy test*

At the end of each reporting period, 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.

4. CASH AND CASH EQUIVALENTS

a) This item consists of the following:	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
Cash at banks - current accounts	10,405,753	----
Cash at bank - call account	13,056,779	56,373,273
Total - Exhibit A & D	<u>23,462,532</u>	<u>56,373,273</u>

- b) Cash at banks includes current accounts and call account balances amounting to AED 13,071,529 as of 30 June 2012 which are held with one financial institution which is a related party and is interest bearing (10 April 2011: AED 56,373,273).

5. BANK FIXED DEPOSITS

Fixed deposits amounting to AED 13,000,000 as of 30 June 2012 are held with a financial institution which considered as a related party (10 April 2011 AED : 68,317,266).

6. INSURANCE AND OTHER RECEIVABLES

a) This item consists of the following:	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
Due from policy holders - Note 6 (b)	14,510,235	----
Margin on letters of guarantee	42,000	----
Refundable deposits	21,000	2,000
Related parties - receivables - Note 21 (a)	1,120,187	----
Others	----	386,202
Provision for doubtful debts - Note 6 (c)	(200,311)	----
Total - Exhibit A	<u>15,493,111</u>	<u>388,202</u>

- b) The company in the normal course of business deals with various brokers in UAE. Five customers' balances constitute 59% of the outstanding receivables as of 30 June 2012.

c) Provision for doubtful debts:-

This item consists of the following :

	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
Charge for the period	(200,311)	----
Ending balance - Note 6 (a)	<u>(200,311)</u>	<u>----</u>

7. OTHER CURRENT ASSETS

This item consists of the following:

	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
Accrued interest income	3,271,258	118,851
Prepaid expenses	1,380,401	592,360
Total - Exhibit A	<u>4,651,659</u>	<u>711,211</u>

8. INVESTMENT DESIGNATED AT FAIR VALUE

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

- a) *INVESTMENT DESIGNATED AT FAIR VALUE - THROUGH PROFIT AND LOSS (FVTPL)*

Changes in investments designated at fair value through other interim income statement (FVTPL) for the period as follows:

	<u>Amount</u>
Fair value at 11 April 2011 (Audited)	----
Additions during the period	2,948,007
Decrease in fair value taken to interim income statement - Exhibit B - Note 18	(332,693)
Fair value at 30 June 2012 -Exhibit A (Unaudited)	<u>2,615,314</u>

- b) *INVESTMENT DESIGNATED AT FAIR VALUE THROUGH - OTHER COMPREHENSIVE INCOME (FVTOCI)*

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

	<u>Amount</u>
Fair value at 11 April 2011 (Audited)	----
Additions during the period	10,541,299
Decrease in fair value taken to interim other comprehensive income - Exhibit B	(1,310,475)
Fair value at 30 June 2012 -Exhibit A (Unaudited)	<u>9,230,824</u>

- ii) The investments mentioned above includes investments in Finance House P.J.S.C shares amounting to AED 3,549,624 (fair value) as of 30 June 2012. Finance House P.J.S.C is considered as one of the major share holders.

9. FINANCIAL ASSETS - HELD TO MATURITY

Financial assets - held to maturity, represents the company's investments in bonds with local and foreign companies (measured by US dollar), the geographical distribution of investments is as follows:

	<u>30 June 2012</u>	<u>10 April 2011</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Within UAE	102,122,603	----
Outside UAE	44,576,397	----
Total - Exhibit A	<u>146,699,000</u>	----

10. STATUTORY DEPOSIT

In accordance with the requirement of Federal Law No.6 of 2007, concerning Insurance Companies and Agents, the company maintains a bank deposit amounting to AED 6,000,000 as of 31 June 2012 and it cannot be utilized without the consent of the UAE Insurance Authority.

11. PROPERTY AND EQUIPMENT

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

<u>COST</u>	<u>Office</u>	<u>Computers and software</u>	<u>Motors vehicles</u>	<u>Total</u>
At 11 April 2011 (Audited)	---	12,168	---	12,168
Additions	<u>921,700</u>	<u>1,201,220</u>	<u>130,021</u>	<u>2,252,941</u>
At 30 June 2012 - Exhibit A (Unaudited)	<u>921,700</u>	<u>1,213,388</u>	<u>130,021</u>	<u>2,265,109</u>
 <u>ACCUMULATED DEPRECIATION</u>				
Charge for the period	<u>(206,035)</u>	<u>(292,850)</u>	<u>(10,215)</u>	<u>(509,100)</u>
At 30 June 2012 - Exhibit A (Unaudited)	<u>(206,035)</u>	<u>(292,850)</u>	<u>(10,215)</u>	<u>(509,100)</u>
 <u>NET BOOK VALUE</u>				
At 10 April 2011 - Exhibit A (Audited)	---	12,168	---	12,168
At 30 June 2012 - Exhibit A (Unaudited)	<u>715,665</u>	<u>920,538</u>	<u>119,806</u>	<u>1,756,009</u>

12. BORROWINGS FROM BANKS

This loan has been obtained against financial assets held to maturity. Loan payments will mature during the next 12 months, or will be automatically renewed for similar period.

13. INSURANCE CONTRACT LIABILITIES AND - RE-INSURANCE CONTRACT ASSETS

a) Recoverable from re-insurance

This item consists of the following:

	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
Re-insurance contract assets	3,018,702	----
Total - Exhibit A	3,018,702	----

b) Insurance contract liabilities

This item consists of the following:

	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
Claims reported unsettled	3,630,141	----
Unearned premiums	16,499,580	----
Other reserve on unearned revenue	2,225,000	----
Total - Exhibit A	22,354,721	----

14. INSURANCE AND OTHER PAYABLES

This item consists of the following:

	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
Due to insurance and reinsurance companies	2,325,474	----
Accrued IPO expenses	----	340,000
Accrued other expenses	527,111	71,171
Related parties - payables - Note 21 (b)	632,282	5,495,388
Other creditors	465,294	----
Total - Exhibit A	3,950,161	5,906,559

15. SHARE CAPITAL

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

16. OPERATING EXPENSES

This item consists of the following :

	<u>For the period</u> <u>from 11 April 2011</u> <u>to 30 June 2012</u> <u>(Unaudited)</u>	<u>For the period</u> <u>from 11 April 2011</u> <u>to 30 June 2011</u> <u>(Unaudited)</u>
Commission expenses	5,050,968	----
Claims paid	8,325,572	----
Outstanding claims expenses	4,113,330	----
Movements in reserve	1,700,000	----
Other expenses	364,060	----
Total - Exhibit B	19,553,930	----

17. GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following :

	<u>For the period</u> <u>from 11 April 2011</u> <u>to 30 June 2012</u> <u>(Unaudited)</u>	<u>For the period</u> <u>from 11 April 2011</u> <u>to 30 June 2011</u> <u>(Unaudited)</u>
Salaries and related benefits	7,565,331	1,068,162
Bank charges	40,926	58,250
Government fees	686,066	49,802
Telephone and postage	158,583	8,032
Depreciation of property and equipment - Note 11	509,100	32,257
Miscellaneous expenses	3,709,434	433,135
Total - Exhibit B	12,669,440	1,649,638

18. OTHER INCOME

This item consists of the following :

	<u>For the period</u> <u>from 11 April 2011</u> <u>to 30 June 2012</u> <u>(Unaudited)</u>	<u>For the period</u> <u>from 11 April 2011</u> <u>to 30 June 2011</u> <u>(Unaudited)</u>
Interest income on fixed deposits and call account	2,455,305	646,433
Bond interest revenues	5,061,197	315,338
Loss on revaluation of		
investments (FVTPL) - Note 8 (a)	(332,693)	----
Realized profit from sale of investments	3,859,841	----
Dividend income on shares	528,739	10,000
Others	90,484	----
Net - Exhibit B	11,662,873	971,771

19. EARNINGS PER ORDINARY SHARE

This item consists of the following:

	<u>For the period from 11 April 2011 to 30 June 2012 (Unaudited)</u>	<u>For the period from 11 April 2011 to 30 June 2011 (Unaudited)</u>
Profit / (loss) for the period	<u>3,856,349</u>	(555,956)
Weighted number of shares in issue throughout the period	<u>120,000,000</u>	120,000,000
Basic earnings per share	0.0321	(0.0046)

20. RISK MANAGEMENT

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

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

a) *Insurance risk*

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

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

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

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

b) *Capital risk*

The company's objectives when managing capital are :

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

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the company 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 table below summarizes the minimum regulatory capital of the company and the total capital held.

	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>30 June 2011</u> <u>(Unaudited)</u>
Total shareholders' equity	<u>122,441,435</u>	<u>119,895,561</u>
Minimum regulatory capital	<u>100,000,000</u>	<u>100,000,000</u>

c) *Credit risk*

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

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

- Re-insurers' share of insurance liabilities.
- Amounts due from reinsures in respects of claims already paid.
- Amounts due from insurance contract holders.
- Amounts due from insurance intermediaries.
- Amounts due from banks for its bank balances and term deposits.

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 counter party limits that are reviewed and approved by the management annually.

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

The company maintains record of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the company. Management information reported to the company includes details of provisions for impairment on insurance receivables and subsequent write offs . Exposures to individual policy holders and groups of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous groups of policy holders, a financial analysis equivalent to that conducted fro re-insurers is carried out by the company.

Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policy holders.

At 30 June 2012, virtually all of the deposits were placed with 4 banks. Management is confident that this concentration of liquid assets at year end does not result in any credit risk to the company as the banks are major banks operating in foreign countries and in UAE and are highly regulated by the Central Bank.

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

d) *Interest rate risk*

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

e) *Market risk*

The company is exposed to market risk with respect to its investment in financial assets held to maturity and investments designated at fair value through other comprehensive income (FVTOCI) and (FVTPL).

f) *Foreign currency risk*

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

g) *Liquidity risk*

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

The following table shows the maturity dates of company's financial assets and liabilities as at 30 June 2012 (Unaudited).

<i>Financial assets</i>	<u>Less</u> <u>than 1 year</u>	<u>More</u> <u>than 1 year</u>	<u>Total</u>
Non - interest bearing	28,514,178	9,230,824	37,745,002
Interest bearing	154,756,782	152,699,000	307,455,782
Total	<u>183,270,960</u>	<u>161,929,824</u>	<u>345,200,784</u>
 <i>Financial liabilities</i>			
Non - interest bearing	3,950,161	----	3,950,161
Interest bearing	205,674,705	----	205,674,705
Total	<u>209,624,866</u>	<u>----</u>	<u>209,624,866</u>

The following table shows the maturity dates of company's financial assets and liabilities as at 10 April 2011 (Audited).

<i>Financial assets</i>	<u>Less</u> <u>than 1 year</u>	<u>Total</u>
Non - interest bearing	388,202	388,202
Interest bearing	124,690,539	124,690,539
Total	<u>125,078,741</u>	<u>125,078,741</u>
 <i>Financial liabilities</i>		
Non - interest bearing	5,906,559	5,906,559
Total	<u>5,906,559</u>	<u>5,906,559</u>

21. RELATED PARTIES

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

a) RELATED PARTIES - RECEIVABLES

This item consists of the following:

	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
Mr. Mohammad Abdulla Alqubaisi	22,958	----
M/s. Finance House Securities	288,961	----
Benyan Development Company L.L.C	808,268	----
Total - Note 6 (a)	1,120,187	----

b) RELATED PARTIES - PAYABLES

This item consists of the following:

	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
Finance House P.J.S.C	632,282	4,775,388
FH Capital Limited (D.I.F.C)	----	720,000
Total - Note 14	632,282	5,495,388

c) Finance House P.J.S.C is one of the major share holders of the company as of 30 June 2012, Benyan Development Company LLC and FH Capital Ltd. (D.I.F.C) are wholly owned subsidiary by Finance House P.J.S.C.

d) Significant transactions with related parties during the period as follows :

This item consists of the following :

	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
Gross premiums written	4,491,737	----
Purchase of shares	14,399,586	----
Cash at bank - current account	14,750	----
Cash at bank - call account	13,056,779	56,373,273
Bank fixed deposits	13,000,000	68,317,266
Margin on letters of guarantee	42,000	----
Purchase of skuk	20,000,000	----

22. SEGMENT INFORMATION

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

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

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

Primary segment information - business segment

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

	Underwriting		Investments and Others		Total
	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>	
Segment revenue	<u>41,726,478</u>	<u>584,246</u>	<u>11,662,873</u>	<u>975,746</u>	<u>53,389,351</u>
Segments result	<u>4,862,916</u>	<u>121,911</u>	<u>11,662,873</u>	<u>971,771</u>	<u>16,525,789</u>
Unallocated expenses					
Profit / (loss) for the period			<u>(12,669,440)</u>	<u>(1,649,638)</u>	<u>1,559,992</u>
					<u>1,093,682</u>
			<u>3,856,349</u>	<u>(555,956)</u>	<u>3,856,349</u>

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

	Underwriting		Investments		Total	
	<u>30 June 2012</u> (Unaudited)	<u>10 April 2011</u> (Audited)	<u>30 June 2012</u> (Unaudited)	<u>10 April 2011</u> (Audited)	<u>30 June 2012</u> (Unaudited)	<u>10 April 2011</u> (Audited)
Segment assets	<u>21,648,223</u>		<u>992,730</u>	<u>322,573,178</u>	<u>124,809,390</u>	<u>344,221,401</u>
Unallocated assets					<u>10,405,753</u>	<u>---</u>
Total assets					<u>354,627,154</u>	<u>125,802,120</u>
Segments liabilities	<u>25,351,621</u>		<u>5,835,388</u>	<u>205,674,705</u>	<u>---</u>	<u>231,026,326</u>
Unallocated liabilities					<u>527,111</u>	<u>71,171</u>
Total liabilities					<u>231,553,437</u>	<u>5,906,559</u>
There are no transactions between the business segments.						
c) Secondary segment information - revenue from underwriting departments	The following is an analysis of the company's revenue classified by major underwriting departments					
	<u>30 June 2012</u> (Unaudited)		<u>10 April 2011</u> (Audited)			
Non - Marine	<u>21,652,794</u>		<u>---</u>			
Marine	<u>634,570</u>		<u>---</u>			
Medical and personal Assurance	<u>19,439,114</u>		<u>---</u>			
Total - Exhibit B	<u>41,726,478</u>		<u>---</u>			

23. FINANCIAL ASSETS AND LIABILITIES

This item consists of the following:

	<u>30 June 2012</u> <u>(Unaudited)</u>	<u>10 April 2011</u> <u>(Audited)</u>
<i>Financial assets</i>		
Cash and cash equivalents	23,462,532	56,373,273
Bank fixed deposits	141,700,003	68,317,266
Insurance and other receivables	15,493,111	388,202
Investments designated at fair value through income statement (FVTPL)	2,615,314	---
Investments designated at fair value through other comprehensive income (FVTOCI)	9,230,824	---
Financial assets - held to maturity	146,699,000	---
Statutory deposit	6,000,000	---
Total	345,200,784	125,078,741
<i>Financial liabilities</i>		
Bank over draft	5,672,060	---
Borrowings from banks	200,002,645	---
Insurance and other payables	3,950,161	5,906,559
Total	209,624,866	5,906,559

24. COMPARATIVE FIGURES

- The interim financial statements for the current period are for 14 months and 20 days, compared to the period of 4 months 4 days for the previous period, therefore comparability cannot be accurate.
- Certain comparative figures have been reclassified to comply with the interim financial statements presentation for the current period.

25. GENERAL

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

26. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements were approved by the Board of Directors and authorized for issue in their meeting on 18 July 2012.