

**AL DHAFRA INSURANCE  
COMPANY P.S.C.**

**Review report and interim  
financial information  
for the period ended 30 June 2010**

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**REPORT OF THE BOARD OF DIRECTORS**  
for the period ended 30 June 2010

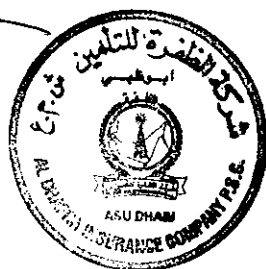
The Board of Directors takes great pleasure in presenting the unaudited results for the Second Quarter of 2010.

We are pleased to report that, as noted below, net underwriting income increased by 23.25% and net profit has increased by 64.85% as compared to the same period of last year.

Particulars	6 months ended		Variance %
	June 2010 (unaudited) AED	June 2009 (unaudited) AED	
<b><u>Condensed income statement</u></b>			
Gross written premium	169,761,025	139,389,681	21.79%
Net underwriting income	43,586,280	35,362,931	23.25%
Administrative and other operating expenses	12,327,362	9,795,604	25.85%
Net investment income/(loss)	6,899,621	(2,584,068)	367.01%
Net profit for the period	38,158,539	23,148,032	64.85%
Basic and diluted earnings per share (AED)	0.51	0.31	64.52%
	June 2010 (unaudited) AED	December 2009 (audited) AED	Variance %
<b><u>Condensed statement of financial position</u></b>			
Shareholders' equity	272,804,065	286,559,990	(4.80%)
Total assets	699,291,528	685,980,796	1.94%

We expect improvement in the overall investment segment results in the current year compared to 2009. We are confident that the year 2010 will be another strong year for the Company as far as the technical results are concerned.

Director



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of  
Al Dhafra Insurance Company P.S.C.  
Abu Dhabi, UAE

### *Introduction*

We have reviewed the accompanying condensed statement of financial position of Al Dhafra Insurance Company P.S.C. (the "Company") as of 30 June 2010 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. Management of the Company is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of review*

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

### *Conclusion*

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

Deloitte & Touche



Saba Y. Sindaha  
Registration Number 410  
28 July 2010



**Condensed statement of financial position  
as at 30 June 2010**

	Notes	30 June 2010 (unaudited) AED	31 December 2009 (audited) AED
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	2,016,342	1,869,742
Investment properties	5	81,000,000	81,000,000
Intangible assets	6	846,455	951,481
Investments designated at fair value through other comprehensive income (FVTOCI)	7	50,840,977	64,192,941
Investments designated at fair value through profit or loss (FVTPL)	7	15,097,950	17,484,910
Investments at amortised cost	7	9,914,400	28,274,400
Statutory deposit	8	10,000,000	10,000,000
<b>Total non-current assets</b>		<b>169,716,124</b>	<b>203,773,474</b>
<b>Current assets</b>			
Investments at amortised cost	7	33,147,000	19,287,000
Reinsurance contract assets	9	186,518,140	166,664,169
Trade and other receivables	11	78,779,658	65,135,565
Prepayments		1,998,641	1,579,036
Bank balances and cash	12	229,131,965	229,541,552
<b>Total current assets</b>		<b>529,575,404</b>	<b>482,207,322</b>
<b>Total assets</b>		<b>699,291,528</b>	<b>685,980,796</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	13	75,000,000	75,000,000
Legal reserve	14	37,500,000	37,500,000
General reserve	15	145,000,000	145,000,000
Investment revaluation reserve		(109,223,355)	(95,808,891)
Retained earnings		124,527,420	124,868,881
<b>Total Shareholders' equity</b>		<b>272,804,065</b>	<b>286,559,990</b>
<b>Non-current liability</b>			
End of service benefit		5,210,354	5,030,169
<b>Current liabilities</b>			
Insurance contract liabilities	9	301,781,108	274,830,898
Trade and other payables	16	119,496,001	119,559,739
<b>Total current liabilities</b>		<b>421,277,109</b>	<b>394,390,637</b>
<b>Total liabilities</b>		<b>426,487,463</b>	<b>399,420,806</b>
<b>Total equity and liabilities</b>		<b>699,291,528</b>	<b>685,980,796</b>

.....  
General Manager



.....  
Board Member

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

**Condensed income statement (unaudited)  
for the period ended 30 June 2010**

	Notes	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
		2010 AED	2009 AED	2010 AED	2009 AED
Gross written premium		87,152,131	68,920,233	169,761,025	139,389,681
Change in unearned premium provision		(6,909,661)	2,243,192	(12,004,189)	2,574,900
<b>Premium income earned</b>		<b>80,242,470</b>	<b>71,163,425</b>	<b>157,756,836</b>	<b>141,964,581</b>
Reinsurance premium ceded		(47,508,178)	(39,647,052)	(92,801,849)	(81,896,754)
Change in unearned premium provision		2,638,150	(3,849,027)	4,111,762	(3,115,417)
<b>Reinsurance ceded</b>		<b>(44,870,028)</b>	<b>(43,496,079)</b>	<b>(88,690,087)</b>	<b>(85,012,171)</b>
<b>Net premium earned</b>		<b>35,372,442</b>	<b>27,667,346</b>	<b>69,066,749</b>	<b>56,952,410</b>
<b>Net claims incurred</b>		<b>(19,129,143)</b>	<b>(15,546,493)</b>	<b>(35,365,247)</b>	<b>(31,724,050)</b>
Gross commission earned		7,532,454	7,506,360	17,962,061	17,082,779
Less: commission incurred		(4,235,443)	(3,199,195)	(8,077,283)	(6,948,208)
<b>Net commission earned</b>		<b>3,297,011</b>	<b>4,307,165</b>	<b>9,884,778</b>	<b>10,134,571</b>
<b>Net underwriting income</b>		<b>19,540,310</b>	<b>16,428,018</b>	<b>43,586,280</b>	<b>35,362,931</b>
Administrative expenses		(5,626,327)	(4,682,249)	(10,657,922)	(9,226,102)
Other operating expenses		(516,393)	(291,127)	(1,669,440)	(569,502)
Net investment income/(loss)	17	1,969,505	(3,858,113)	6,899,621	(2,584,068)
Settlement from BCCI	18	-	-	-	164,773
<b>Net profit for the period</b>	<b>19</b>	<b>15,367,095</b>	<b>7,596,529</b>	<b>38,158,539</b>	<b>23,148,032</b>
<b>Basic and diluted earnings per share</b>	<b>20</b>	<b>0.20</b>	<b>0.10</b>	<b>0.51</b>	<b>0.31</b>

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

**Condensed statement of comprehensive income (unaudited)  
for the period ended 30 June 2010**

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2010	2009	2010	2009
	AED	AED	AED	AED
<b>Net profit for the period</b>	<b>15,367,095</b>	7,596,529	<b>38,158,539</b>	23,148,032
<b>Other comprehensive income/(loss)</b>				
Reclassification adjustment for gains included in profit or loss	-	11,404,181	-	12,222,531
Reclassification adjustment for impairment included in profit or loss	-	10,978,060	-	15,978,060
Decrease in fair value of investments at FVTOCI (note 7)	(16,217,479)	-	(13,414,464)	-
Directors' remuneration	(500,000)	(500,000)	(1,000,000)	(1,000,000)
<b>Total other comprehensive income/(loss)</b>	<b>(16,717,479)</b>	21,882,241	<b>(14,414,464)</b>	<b>27,200,591</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(1,350,384)</b>	29,478,770	<b>23,744,075</b>	<b>50,348,623</b>

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

**AL DHAFRA INSURANCE COMPANY P.S.C.**

**Condensed statement of changes in equity (unaudited)  
for the period ended 30 June 2010**

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
<b>Balance at 1 January 2009 (audited)</b>	75,000,000	37,500,000	140,000,000	(116,651,298)	121,160,556	257,009,258
Net profit for the period	-	-	-	-	23,148,032	23,148,032
Other comprehensive income/(loss)	-	-	-	28,200,591	(1,000,000)	27,200,591
<b>Total comprehensive income for the period</b>	-	-	-	28,200,591	22,148,032	50,348,623
Effect of change in accounting policy for classification and measurement of financial assets – IFRS 9 (note 3)	-	-	-	(15,978,060)	15,978,060	-
Dividends	-	-	-	-	(37,500,000)	(37,500,000)
<b>Balance at 30 June 2009 as restated (unaudited)</b>	75,000,000	37,500,000	140,000,000	(104,428,767)	121,786,648	269,857,881
<b>Balance at 1 January 2010 (audited)</b>	75,000,000	37,500,000	145,000,000	(95,808,891)	124,868,881	286,559,990
Net profit for the period	-	-	-	-	38,158,539	38,158,539
Other comprehensive loss	-	-	-	(13,414,464)	(1,000,000)	(14,414,464)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	(13,414,464)	37,158,539	23,744,075
Dividends	-	-	-	-	(37,500,000)	(37,500,000)
<b>Balance at 30 June 2010 (unaudited)</b>	75,000,000	37,500,000	145,000,000	(109,223,355)	124,527,420	272,804,065

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



**Condensed statement of cash flows (unaudited)  
for the period ended 30 June 2010**

	<b>6 months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>AED</b>	<b>AED</b>
<b>Cash flows from operating activities</b>	<b>24,519,415</b>	<b>21,940,838</b>
<b>Investing activities</b>	<b>-----</b>	<b>-----</b>
Proceeds from disposal/redemption of:		
Available-for-sale investments	-	33,344,947
Held to maturity investments	4,500,000	6,796,800
Property and equipment	31,920	3,321
Interest received	6,060,514	5,186,925
Dividends received (note 17)	1,091,012	2,537,222
Net rental income on investment properties (note 17)	1,647,043	1,530,879
Payment of investment expenses (note 17)	(104,622)	(393,261)
Purchase of:		
Investments at FVTOCI	(62,500)	-
Held to maturity investments	-	(9,914,400)
Property and equipment	(580,574)	(379,682)
Intangible assets	(11,795)	(191,811)
Movement in bank deposits with original maturities of greater than three months	(96,704,588)	3,251,479
Increase in statutory deposits	-	(4,000,000)
<b>Net cash (used in)/from investing activities</b>	<b>(84,133,590)</b>	<b>37,772,419</b>
<b>Cash flows from financing activity</b>	<b>-----</b>	<b>-----</b>
Dividend paid	(37,500,000)	(37,500,000)
<b>Cash used in financing activity</b>	<b>(37,500,000)</b>	<b>(37,500,000)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(97,114,175)</b>	<b>22,213,257</b>
Cash and cash equivalents at the beginning of the period	179,404,620	90,493,730
<b>Cash and cash equivalents at the end of the period</b>	<b>82,290,445</b>	<b>112,706,987</b>

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

**Notes to the condensed financial statements  
for the period ended 30 June 2010**

**1 General**

Al Dhafra Insurance Company P.S.C. (the "Company") is a public shareholding company incorporated in Abu Dhabi by Emiri Decree No. 8 of 1979.

The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 319, Abu Dhabi.

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

The Company is engaged in insurance and reinsurance of all classes of business with the exception of endowments and annuities.

**2 Standards and Interpretations in issue not yet effective**

At the date of authorisation of these condensed financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

<b>New Standards and amendments to Standards:</b>	<b>Effective for annual periods beginning on or after</b>
• IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue	1 February 2010
• IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	1 January 2011
• Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13 resulting from May 2010 Annual Improvements to IFRSs	Majority effective for annual periods beginning on or after 1 January 2011
<b>New Interpretations and amendments to Interpretations:</b>	
• IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
• Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i>	1 January 2011

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the condensed financial statements of the Company in the period of initial application.

**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

**3 Summary of significant accounting policies**

**3.1 Basis of preparation**

The condensed financial statements is prepared in accordance with International Accounting Standard (IAS) No. 34, "*Interim Financial Reporting*" issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

The condensed financial statements has been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments and revaluation of investment properties.

The accounting policies, significant judgments made by management, financial risk management objectives and policies, presentation and methods used in the preparation of these condensed financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2009.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies related to investment properties and financial instruments as disclosed in the condensed financial statements in paragraphs 3.3 to 3.4 below.

**3.2 Change in accounting policy**

The Company adopted IFRS 9 *Financial Instruments* (IFRS 9) in 2009 in advance of its effective date. The Company has chosen 31 December 2009 as its date of initial application and has elected not to restate comparative information in the year of initial application.

**3.3 Investment properties**

Investment properties, which are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

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

**3.4 Investment in securities**

**3.4.1 Investments at amortised cost**

Debt instruments are measured at amortised cost if both of the following conditions are met:

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

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see note 3.4.2 below). They are subsequently measured at amortised cost using the effective interest method less any impairment.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

**3.4.2 Investments at FVTPL**

Debt instrument financial assets that do not meet the amortised cost criteria described in note 3.4.1, or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Company has not designated a debt instrument financial asset as at FVTPL.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from FVTPL to amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition is not permitted.

Investments in equity instruments are mandatorily classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition as described in note 3.4.3 below.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the 'net investment and other income' line item in the profit and loss. Fair value is determined with reference to quoted prices.

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

**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

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

**3.4 Investment in securities (continued)**

**3.4.3 Financial assets at FVTOCI**

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.

A financial asset is held for trading if:

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

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

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'net investment and other income' line item in the profit and loss.

**4 Property and equipment**

Included in property and equipment at 30 June 2010 is capital work in progress amounting to AED 375,815 representing the costs incurred for development of online insurance and claims module for medical insurance which will be transferred to intangible assets when completed. All the Company's property and equipment are located in the United Arab Emirates.

**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

**5 Investment properties**

	Land AED	Abu Dhabi building AED	Al Ain building AED	Total AED
Fair values as at 1 January 2009 (audited)	51,000,000	20,500,000	3,500,000	75,000,000
Increase/(decrease) in fair value during the period (note 17)	2,500,000	(100,000)	(250,000)	2,150,000
<b>Fair values as at 30 June 2009 (unaudited)</b>	<b>53,500,000</b>	<b>20,400,000</b>	<b>3,250,000</b>	<b>77,150,000</b>
Fair values as at 1 January 2010 (audited)	56,600,000	20,400,000	4,000,000	81,000,000
Increase/(decrease) in fair value during the period (note 17)	-	-	-	-
<b>Fair values as at 30 June 2010 (unaudited)</b>	<b>56,600,000</b>	<b>20,400,000</b>	<b>4,000,000</b>	<b>81,000,000</b>

The fair values of the Company's investment properties has been arrived at on the basis of open market valuations carried out by Malcolm Gaskill, Dubai, Loss Adjusters and Surveyors in their reports dated 31 December 2009 and 31 March 2009, respectively. The independent valuers are not connected with the Company. The valuers are members of various professional valuers' associations, and have appropriate qualifications and recent experience in the valuation of properties at the relevant locations. The valuation was determined by reference to recent prices for similar properties in the same location and similar condition and by discounting cash flow projections based on estimates of future cash flows.

The plots of land in Abu Dhabi and Al Ain on which investment properties are constructed were awarded to the Company free of cost by the Executive Council of the Government of Abu Dhabi on 21 June 1981 and 27 August 1983, respectively. The fair values of the plots of land in Abu Dhabi and Al Ain as at 31 December 2009 amounted to AED 40,600,000 and AED 16,000,000, respectively.

The construction of the Abu Dhabi head office building was completed during 1993. The Company occupies three floors of the building for its Head Office with the remaining fourteen floors available for letting to third parties.

The construction of the Al Ain office building was completed in 1993. The Company is utilising the first and mezzanine floors for housing its Al Ain Branch office with the remaining space available for letting to third parties.

**6 Intangible assets**

Intangible assets primarily represent the cost of insurance computer system software purchased and additional costs incurred in the upgrading of the existing computer software system.

**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

**7 Investments**

	<b>30 June 2010 (unaudited) AED</b>	31 December 2009 (audited) AED
<b>Investments at FVTOCI</b>		
Quoted UAE securities	<u>50,840,977</u>	<u>64,192,941</u>
<b>Investments at FVTPL</b>		
Investment funds	<u>15,097,950</u>	<u>17,484,910</u>
<b>Investments at amortised cost</b>		
Investment funds	18,360,000	22,860,000
Bonds	24,701,400	24,701,400
	<u>43,061,400</u>	<u>47,561,400</u>
<i>Current</i>	33,147,000	19,287,000
<i>Non-current</i>	9,914,400	28,274,400

Investment funds included in investments at FVTPL comprise various mutual funds in the UAE.

In June 2010, an investment fund measured at amortised cost amounting to AED 4.5 million was redeemed. Also included in the investment funds at amortised cost, is an investment of US\$ 5 million in Arabian Real Estate Fund, which has target return of 3% to 8% per annum.

Bonds at amortised cost comprise Central Bank of Oman development bonds denominated in Omani Riyals. The bonds, which are maturing in November 2010, have effective rate of interest ranging from 5% to 5.25%. In 2009, the Company acquired five-year investment amounting to US\$ 2.7 million in Aldar Bonds which bears interest ranging from 6% to 9.1%. Interest is payable semi-annually on 14 May and 14 November.

**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

**7 Investments (continued)**

The movement in the investments is as follows:

	<b>30 June 2010 (unaudited) AED</b>	<b>31 December 2009 (audited) AED</b>
<b>Investments at FVTOCI</b>		
Fair value at 1 January	64,192,941	-
Purchased during the period/year	62,500	-
Reclassification adjustment upon initial application of IFRS 9	-	43,350,534
(Decrease)/increase in fair value taken to other comprehensive income	(13,414,464)	20,842,407
<b>Fair value</b>	<b>50,840,977</b>	<b>64,192,941</b>
<b>Investments at FVTPL</b>		
Fair value at 1 January	17,484,910	-
Reclassification adjustment upon initial application of IFRS 9	-	64,376,144
Proceeds from disposal	-	(37,244,947)
Gain on disposal	-	1,400,000
Decrease in fair value taken to profit or loss	(2,386,960)	(11,046,287)
<b>Fair value</b>	<b>15,097,950</b>	<b>17,484,910</b>
<b>Investments at amortised cost</b>		
Cost at 1 January	47,561,400	44,443,800
Purchased during the period/year	-	9,914,400
Proceeds from maturity	(4,500,000)	(6,796,800)
<b>Cost</b>	<b>43,061,400</b>	<b>47,561,400</b>
<b>Total investments</b>	<b>109,000,327</b>	<b>129,239,251</b>

The geographical distribution of investments is as follows:

Within UAE	94,213,327	114,452,251
Outside UAE	14,787,000	14,787,000
	<b>109,000,327</b>	<b>129,239,251</b>



**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

**8 Statutory deposit**

In accordance with the requirements of Federal Law No.6/2007, covering insurance companies and agencies, the Company maintains a bank deposit of AED 10,000,000 (31 December 2009: AED 10,000,000) which cannot be utilised without the consent of the U.A.E. Insurance Authority.

**9 Insurance contract liabilities and reinsurance contract assets**

	<b>30 June 2010 (unaudited) AED</b>	<b>31 December 2009 (audited) AED</b>
<b>Insurance liabilities</b>		
Reported claims	180,592,044	169,590,977
Claims incurred but not reported	11,532,356	7,587,402
Unearned premiums	109,656,708	97,652,519
	<u>301,781,108</u>	<u>274,830,898</u>
<b>Recoverable from reinsurers</b>		
Reported claims	124,378,110	111,594,345
Claims incurred but not reported	6,629,244	3,670,800
Unearned premiums	55,510,786	51,399,024
	<u>186,518,140</u>	<u>166,664,169</u>
<b>Insurance liabilities – net</b>		
Reported claims	56,213,934	57,996,632
Claims incurred but not reported	4,903,112	3,916,602
Unearned premiums	54,145,922	46,253,495
	<u>115,262,968</u>	<u>108,166,729</u>

**10 Related parties**

Related parties comprise the Directors and major Shareholders of the Company 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:

	<b>3 months ended 30 June</b>		<b>6 months ended 30 June</b>	
	<b>2010 (unaudited) AED</b>	<b>2009 (unaudited) AED</b>	<b>2010 (unaudited) AED</b>	<b>2009 (unaudited) AED</b>
Premiums written	<u>4,198,293</u>	<u>4,314,006</u>	<u>8,215,278</u>	<u>8,203,997</u>
Claims paid	<u>862,145</u>	<u>983,361</u>	<u>1,370,729</u>	<u>3,166,139</u>
Directors' remuneration	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Key management remuneration	<u>1,378,080</u>	<u>1,252,939</u>	<u>2,756,160</u>	<u>2,496,918</u>

**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

**10 Related parties (continued)**

The remuneration of Directors is accrued and paid as an appropriation out of the profits of the period in accordance with the Federal Law No. 8 applicable to Commercial Companies operating in UAE.

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

**11 Trade and other receivables**

	<b>30 June 2010 (unaudited) AED</b>	<b>31 December 2009 (audited) AED</b>
Due from policy holders	51,582,695	40,651,436
Due from related parties (note 10)	16,229,368	13,651,880
Less: allowance for doubtful receivables	(5,991,017)	(5,991,017)
	<hr/>	<hr/>
Net insurance receivables	61,821,046	48,312,299
Due from insurance companies	8,799,203	7,598,863
Due from reinsurance companies	2,913,957	4,948,424
Interest receivable	3,421,708	3,571,738
Other receivables	1,823,744	704,241
	<hr/>	<hr/>
	<b>78,779,658</b>	<b>65,135,565</b>
	<hr/> <hr/>	<hr/> <hr/>

**12 Cash and cash equivalents**

	<b>30 June 2010 (unaudited) AED</b>	<b>31 December 2009 (audited) AED</b>
Cash on hand	22,250	24,250
Call accounts	17,149,094	13,276,622
Term deposits	211,960,621	216,240,680
	<hr/>	<hr/>
Bank balances and cash	229,131,965	229,541,552
Bank term deposits with original maturities of greater than three months	(146,841,520)	(50,136,932)
	<hr/>	<hr/>
<b>Cash and cash equivalents</b>	<b>82,290,445</b>	<b>179,404,620</b>
	<hr/> <hr/>	<hr/> <hr/>

All cash and cash equivalents are held in local banks in the United Arab Emirates.

**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

**13 Share capital**

	<b>30 June 2010 (unaudited) AED</b>	<b>31 December 2009 (audited) AED</b>
<b>Authorised:</b>		
75,000,000 ordinary shares of AED 1 each	<u>75,000,000</u>	<u>75,000,000</u>
<b>Issued and fully paid:</b>		
75,000,000 ordinary shares of AED 1 each	<u>75,000,000</u>	<u>75,000,000</u>

**14 Legal reserve**

In accordance with the UAE Federal Law number (8) of 1984 (as amended) concerning Commercial Companies and the Company's Articles of Association, 10% of net annual profit has 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.

**15 General reserve**

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

**16 Trade and other payables**

	<b>30 June 2010 (unaudited) AED</b>	<b>31 December 2009 (audited) AED</b>
Due to policy holders	12,260,318	11,786,571
Due to insurance companies	14,637,036	14,477,379
Due to reinsurance companies	40,738,123	40,813,802
Premium reserve withheld	23,492,631	22,826,571
Commission payable	17,500,000	17,500,000
Deferred income	1,408,740	3,827,293
Directors' remuneration payable (note 10)	1,000,000	2,000,000
Other payables	8,459,153	6,328,123
	<u>119,496,001</u>	<u>119,559,739</u>

**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

**17 Net investment income/(loss)**

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2010	2009	2010	2009
	(unaudited) AED	(unaudited) AED	(unaudited) AED	(unaudited) AED
Net rental income on:				
Gross rental income	965,751	933,353	1,913,889	1,834,392
Less: building expenses	(167,023)	(128,892)	(266,846)	(303,513)
Net rental income	<u>798,728</u>	<u>804,461</u>	<u>1,647,043</u>	<u>1,530,879</u>
Net interest income on:				
Bank deposit	1,977,042	2,990,277	4,546,599	5,757,086
Investments at amortised cost	620,078	189,780	1,363,885	892,082
Net interest income	<u>2,597,120</u>	<u>3,180,057</u>	<u>5,910,484</u>	<u>6,649,168</u>
Net dividend income on investments at FVTOCI	990,512	2,489,222	1,091,012	2,537,222
Decrease in fair value of investments at FVTPL (note 7)	(2,980,194)	-	(2,386,960)	-
Impairment of AFS investments	-	(10,978,060)	-	(15,978,060)
Investment expenses	(81,572)	(122,514)	(104,622)	(393,261)
Increase in fair value of investment properties (note 5)	-	-	-	2,150,000
Gain on disposal of property and equipment	-	-	31,117	1,963
Other income	644,911	768,721	711,547	918,021
	<u>1,969,505</u>	<u>(3,858,113)</u>	<u>6,899,621</u>	<u>(2,584,068)</u>

**18 Settlement from BCCI**

An allowance of AED 6,431,730 representing 100% of the nominal value of the term deposits was established as at the end of 1994 against BCCI deposits. During the period, the Company received a further disbursement of AED Nil (2009 – AED 164,773) from the BCCI Liquidators. Cumulative settlements received to date amount to AED 5,656,775.

**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

**19 Net profit for the period**

Net profit for the period is stated after charging:

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	<b>2010</b> <b>(unaudited)</b> <b>AED</b>	<b>2009</b> <b>(unaudited)</b> <b>AED</b>	<b>2010</b> <b>(unaudited)</b> <b>AED</b>	<b>2009</b> <b>(unaudited)</b> <b>AED</b>
Staff costs	<b>4,160,394</b>	3,594,813	<b>8,180,766</b>	7,124,592
Depreciation of property and equipment	<b>219,386</b>	229,252	<b>433,171</b>	442,334
Amortisation of intangible assets	<b>58,902</b>	30,415	<b>116,821</b>	63,204
Foreign exchange loss	<b>31,430</b>	15,590	<b>13,145</b>	36,156

**20 Basic and diluted earnings per share**

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

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	<b>2010</b> <b>(unaudited)</b>	<b>2009</b> <b>(unaudited)</b>	<b>2010</b> <b>(unaudited)</b>	<b>2009</b> <b>(unaudited)</b>
Net profit for the period (AED)	<b>15,367,095</b>	7,596,529	<b>38,158,539</b>	23,148,032
Ordinary shares in issue throughout the period	<b>75,000,000</b>	75,000,000	<b>75,000,000</b>	75,000,000
Basic and diluted earnings per share (AED)	<b>0.20</b>	0.10	<b>0.51</b>	0.31

The Company does not have potentially dilutive shares and accordingly, diluted earnings per share equals basic earnings per share.

**21 Segment information**

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

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

Investments – incorporating investments in marketable equity securities and investment funds, development bonds, term deposits with banks and investment properties and other securities.

Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)

21 Segment information (continued)

Primary segment information (continued)

	6 months ended 30 June 2010 (unaudited)			6 months ended 30 June 2009 (unaudited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	187,723,086	9,083,047	196,806,133	156,472,460	11,020,783	167,493,243
Direct costs	(144,136,806)	(539,130)	(144,675,936)	(121,109,529)	(696,775)	(121,806,304)
Administrative expenses	(10,657,922)	-	(10,657,922)	(9,226,102)	-	(9,226,102)
Depreciation expense	(433,171)	-	(433,171)	(442,334)	-	(442,334)
Amortisation expense	(116,821)	-	(116,821)	(63,204)	-	(63,204)
Other expenses	(1,119,448)	-	(1,119,448)	(63,964)	-	(63,964)
Non-cash investment	-	-	-	-	-	-
Losses	-	(2,386,960)	(2,386,960)	-	(15,978,060)	(15,978,060)
Gains	-	-	-	-	2,150,000	2,150,000
Settlement from BCCI	-	-	-	164,773	-	164,773
<b>Segment profit</b>	<b>31,258,918</b>	<b>6,156,957</b>	<b>37,415,875</b>	<b>25,732,100</b>	<b>(3,504,052)</b>	<b>22,228,048</b>
Other income	-	-	742,664	-	-	919,984
<b>Net profit for the period</b>	<b>31,258,918</b>	<b>6,156,957</b>	<b>38,158,539</b>	<b>25,732,100</b>	<b>(3,504,052)</b>	<b>23,148,032</b>

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the six-month period ended 30 June 2010 and 2009.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3.

Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)

## 21 Segment information (continued)

## Primary segment information (continued)

	As at 30 June 2010 (unaudited)			As at 31 December 2009 (audited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	270,159,236	411,960,948	682,120,184	236,199,993	436,479,931	672,679,924
Unallocated assets	-	-	17,171,344	-	-	13,300,872
<b>Total assets</b>	<b>270,159,236</b>	<b>411,960,948</b>	<b>699,291,528</b>	<b>236,199,993</b>	<b>436,479,931</b>	<b>685,980,796</b>
Segment liabilities	418,636,428	1,410,740	420,047,168	389,636,471	3,838,755	393,475,226
Unallocated liabilities	-	-	6,440,295	-	-	5,945,580
<b>Total liabilities</b>	<b>418,636,428</b>	<b>1,410,740</b>	<b>426,487,463</b>	<b>389,636,471</b>	<b>3,838,755</b>	<b>399,420,806</b>
<b>Capital expenditure</b>	<b>592,369</b>	<b>-</b>	<b>592,369</b>	<b>998,767</b>	<b>-</b>	<b>998,767</b>

**Notes to the condensed financial statements  
for the period ended 30 June 2010 (continued)**

**21 Segment information (continued)**

**Secondary segment information - revenue from underwriting departments**

The following is an analysis of the Company's direct revenues classified by major underwriting departments.

	<b>6 months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>AED</b>	<b>AED</b>
Motor	<b>64,815,339</b>	62,223,259
Engineering	<b>21,950,075</b>	25,955,502
Fire, Workmen's compensation and Third party Liability	<b>25,453,190</b>	20,865,285
Marine and Aviation	<b>21,839,713</b>	14,366,744
Life, Medical and Personal Assurance	<b>36,883,534</b>	20,632,639
Energy	<b>16,781,235</b>	12,429,031
	<b>187,723,086</b>	156,472,460

**22 Seasonality of results**

No income of seasonal nature was recorded in the statement of income for the six-month period ended 30 June 2010 and 2009.

**23 Contingent liabilities**

	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>(unaudited)</b>	<b>(audited)</b>
	<b>AED</b>	<b>AED</b>
Bank guarantees	<b>13,709,735</b>	7,673,504

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

**24 Approval of interim condensed financial statements**

The interim condensed financial statements were approved and authorised for issue by Management on 28 July 2010.