

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

**Review report and interim
financial information
for the period ended 31 March 2012**

AL DHAFRA INSURANCE COMPANY P.S.C.

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for the period ended 31 March 2012**

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**The Board of Director's Report
for the period ended 31 March 2012**

The Board of Directors takes great pleasure in presenting the unaudited results for the first quarter of 2012.

We are pleased to report that, as noted below, net underwriting income increased by 9.85% and profit has increased by 9.06% as compared to the same period of last year.

Particulars	3 months ended 31 March		Variance %
	2012 (unaudited) AED	2011 (unaudited) AED	
<u>Condensed income statement</u>			
Gross written premium	114,194,193	100,477,058	13.65%
Net underwriting income	31,163,534	28,370,134	9.85%
Administrative and other operating expenses	8,360,958	6,516,403	28.31%
Net investment and other income	3,807,226	2,544,565	49.62%
Profit for the period	26,609,802	24,398,296	9.06%
Basic earnings per share (AED)	0.27	0.24	
	March 2012 (unaudited) AED	December 2011 (audited) AED	Variance %
<u>Condensed statement of financial position</u>			
Shareholders' equity	292,016,161	294,601,513	(0.88%)
Total assets	743,996,477	704,175,205	5.66%

We expect improvement in the overall investment segment results in the current year compared to 2011. We are confident that the year 2012 will be another strong year for the Company as far as the technical results are concerned.

Chairman

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 31 March 2012 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management of the Company is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard IAS 34, "*Interim Financial Reporting (IAS 34)*". 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 IAS 34, "*Interim Financial Reporting*".

Deloitte & Touche (M.E.)



Saba Y. Sindaha
Registration Number 410
30 April 2012



**Condensed statement of financial position
as at 31 March 2012**

	Notes	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
ASSETS			
Non-current assets			
Property and equipment	4	2,537,367	2,605,048
Investment properties	5	80,100,000	80,100,000
Intangible assets	6	3,127,715	2,995,703
Investments designated at fair value through other comprehensive income (FVTOCI)	7	73,211,189	65,656,343
Investments at amortised cost	7	19,524,400	21,524,400
Statutory deposit	8	10,000,000	10,000,000
Total non-current assets		188,500,671	182,881,494
Current assets			
Investments designated at fair value through profit or loss (FVTPL)	7	48,711,156	50,099,771
Reinsurance contract assets	9	126,773,176	133,222,830
Trade and other receivables	11	140,586,004	100,920,358
Prepayments		2,016,392	1,664,807
Bank balances and cash	12	237,409,078	235,385,945
Total current assets		555,495,806	521,293,711
Total assets		743,996,477	704,175,205
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	90,000,000	90,000,000
Bonus shares issued	13	10,000,000	-
Legal reserve	14	41,990,393	41,990,393
General reserve	15	145,000,000	145,000,000
Investment revaluation reserve		(98,415,334)	(105,970,180)
Retained earnings		103,441,102	123,581,300
Total shareholders' equity		292,016,161	294,601,513
Non-current liability			
End of service benefit		6,077,741	5,258,079
Current liabilities			
Insurance contract liabilities	9	268,525,872	255,628,981
Trade and other payables	16	177,376,703	148,686,632
Total current liabilities		445,902,575	404,315,613
Total liabilities		451,980,316	409,573,692
Total equity and liabilities		743,996,477	704,175,205

.....
General Manager



.....
Board Member

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

**Condensed income statement (unaudited)
for the period ended 31 March 2012**

	Notes	3 months ended 31 March	
		2012 AED	2011 AED
Gross written premium		114,194,193	100,477,058
Change in unearned premium provision		(4,763,347)	(7,553,254)
Premium income earned		109,430,846	92,923,804
Reinsurance premium ceded		(36,047,128)	(43,080,116)
Change in unearned premium provision		(3,207,548)	(1,085,321)
Reinsurance ceded		(39,254,676)	(44,165,437)
Net premium earned		70,176,170	48,758,367
Net claims incurred		(39,499,229)	(23,669,027)
Gross commission earned		5,050,975	7,643,427
Less: commission incurred		(4,564,382)	(4,362,633)
Net commission earned		486,593	3,280,794
Net underwriting income		31,163,534	28,370,134
Administrative expenses		(6,624,914)	(5,031,967)
Other operating expenses		(1,736,044)	(1,484,436)
Net investment and other income	17	3,807,226	2,544,565
Profit for the period	18	26,609,802	24,398,296
Basic and diluted earnings per ordinary share	19	0.27	0.24

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

**Condensed statement of comprehensive income (unaudited)
for the period ended 31 March 2012**

	Notes	3 months ended 31 March	
		2012	2011
		AED	AED
Profit for the period		26,609,802	24,398,296
Other comprehensive income / (loss):			
Net fair value gain/(loss) on investments at FVTOCI	7	7,554,846	(1,371,766)
Directors' remuneration	10	(750,000)	(1,750,000)
Total other comprehensive income / (loss) for the period		6,804,846	(3,121,766)
Total comprehensive income for the period		33,414,648	21,276,530

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
for the period ended 31 March 2012

	Share capital AED	Bonus share issued AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2011 (audited)	75,000,000	-	37,500,000	145,000,000	(94,337,786)	138,837,656	301,999,870
Profit for the period	-	-	-	-	-	24,398,296	24,398,296
Other comprehensive loss	-	-	-	-	(1,371,766)	(1,750,000)	(3,121,766)
Total comprehensive (loss)/income for the period	-	-	-	-	(1,371,766)	22,648,296	21,276,530
Dividends	-	-	-	-	-	(37,500,000)	(37,500,000)
Issuances of bonus shares	-	15,000,000	-	-	-	(15,000,000)	-
Balance at 31 March 2011 (unaudited)	75,000,000	15,000,000	37,500,000	145,000,000	(95,709,552)	108,985,952	285,776,400
Balance at 1 January 2012 (audited)	90,000,000	-	41,990,393	145,000,000	(105,970,180)	123,581,300	294,601,513
Profit for the period	-	-	-	-	-	26,609,802	26,609,802
Other comprehensive income/(loss)	-	-	-	-	7,554,846	(750,000)	6,804,846
Total comprehensive income for the period	-	-	-	-	7,554,846	25,859,802	33,414,648
Dividends (note 13)	-	-	-	-	-	(36,000,000)	(36,000,000)
Issuances of bonus shares (note 13)	-	10,000,000	-	-	-	(10,000,000)	-
Balance at 31 March 2012 (unaudited)	90,000,000	10,000,000	41,990,393	145,000,000	(98,415,334)	103,441,102	292,016,161

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

**Condensed statement of cash flows (unaudited)
for the period ended 31 March 2012**

	Notes	3 months ended 31 March	
		2012 AED	2011 AED
Operating activities			
Profit for the period		26,609,802	24,398,296
Adjustments for:			
Depreciation of property and equipment		184,964	222,043
Amortisation of intangible assets		334,501	135,298
Investment income		(3,305,673)	(2,490,850)
Loss on disposal of property and equipment	17	-	8,162
Net transfer to provision for end of service benefit		819,662	(174,742)
Operating cash flows before movements in working capital		24,643,256	22,098,207
Decrease in reinsurance contract assets		6,449,654	19,153,252
Increase/(decrease) in insurance contract liabilities		12,896,891	(12,900,088)
Increase in trade and other receivables		(39,013,072)	(9,210,033)
Increase in prepayments		(351,585)	(150,924)
Decrease in trade and other payables		(5,059,929)	(621,541)
Net cash (used in)/from operating activities		(434,785)	18,368,873
Investing activities			
Movement in bank deposits with original maturities of greater than three months		36,359,547	36,015,015
Interest received		959,227	2,039,745
Dividends received	17	311,376	-
Net rental income on investment properties	17	859,240	784,065
Proceeds from disposal of property and equipment		-	13,930
Payments for property and equipment		(117,283)	(274,347)
Payments for intangible assets		(466,513)	(32,604)
Payments for purchase of investment at FVTPL		(22,466,363)	-
Proceeds from disposal of investment at FVTPL		26,486,331	-
Payment of investment expenses	17	(108,097)	(61,111)
Directors' remuneration paid		(3,000,000)	(1,000,000)
Net cash from investing activities		38,817,465	37,484,693
Increase in cash and cash equivalents		38,382,680	55,853,566
Cash and cash equivalents at the beginning of the period		14,624,040	42,663,305
Cash and cash equivalents at the end of period	12	53,006,720	98,516,871

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

**Notes to the condensed financial statements
for the period ended 31 March 2012**

1 General information

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 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective

The Company has not yet adopted the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to grouping items recognised in other comprehensive income	1 July 2012
IAS 19 <i>Employee Benefits</i> (as revised in 2011)	1 January 2013
IAS 27 <i>Separate Financial Statements</i> (as revised in 2011)	1 January 2013
IAS 28 <i>Investments in Associates and Joint Ventures</i> (as revised in 2011)	1 January 2013
Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> relating to government loans	1 January 2013
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to offsetting financial assets and liabilities	1 January 2013
IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
IFRS 11 <i>Joint Arrangements</i>	1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
IFRS 13 <i>Fair Value Measurement</i>	1 January 2013
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to IAS 32 <i>Financial Instruments: Presentation</i> relating to offsetting financial assets and liabilities	1 January 2014

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 31 March 2012 (continued)****3 Summary of significant accounting policies****3.1 Basis of preparation**

The condensed financial statements are 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 have 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 and estimates 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 2011.

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 annual financial statements have been disclosed in paragraph 3.2 to 3.3 below.

3.2 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.

3.3 Investment in securities**3.3.1 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 3.3.2 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.

**Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)****3 Summary of significant accounting policies (continued)****3.3 Investment in securities (continued)****3.3.1 Investments at amortised cost (continued)**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.3.2 Investments at fair value through profit and loss (FVTPL)

Debt instrument financial assets that do not meet the amortised cost criteria described in note 3.3.1, 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 3.3.3 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.

3.3.3 Financial assets at fair value through other comprehensive income (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.

**Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Investment in securities (continued)

3.3.3 Financial assets at fair value through other comprehensive income (FVTOCI) (continued)

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 31 March 2012 is capital work in progress amounting to AED 1,553,227 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 31 March 2012 (continued)**

5 Investment properties

	Land AED	Abu Dhabi building AED	Al Ain building AED	Total AED
Fair values as at 1 January 2011 and 31 March 2012 (unaudited)	52,350,000	24,750,000	3,000,000	80,100,000

The fair values of Company's investment properties at 31 December 2011 were estimated by the Management. Management has considered recent prices for similar properties in the same location and similar condition and also the prevailing situation of Real Estate properties in UAE. This is as per valuation report from Technical and Loss Adjusting Services LLC who have determined the fair values of the land and buildings to be AED 80,100,000.

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 2011 amounted to AED 43,000,000 and AED 9,350,000, 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 utilizing 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 31 March 2012 (continued)

7 Investments

7.1 Composition of investments

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Investments at FVTOCI		
Quoted UAE equity securities	73,211,189	65,656,343
Investments at FVTPL		
Investment funds	48,711,156	50,099,771
Investments at amortised cost		
Investment funds	9,610,000	11,610,000
Bonds	9,914,400	9,914,400
	19,524,400	21,524,400
<i>Current</i>	-	-
<i>Non-current</i>	19,524,400	21,524,400
	19,524,400	21,524,400

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

Included in the investment funds at amortised cost, is an investment of US\$ 5 million in Arabian Real Estate Fund, which Management has determined to be impaired by AED 8,750,000 as at 31 March 2012 (31 December 2011: AED 6,750,000).

Bonds at amortised cost comprise of five-year investment amounting to US\$ 2.7 million in Aldar Bonds which bears a fixed interest of 9.1%. Interest is payable semi-annually on 14 May and 14 November.

The geographical distribution of investments is as follows:

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Within UAE	141,446,745	137,280,514
Outside UAE	-	-
	141,446,745	137,280,514

**Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)**

7 Investments (continued)

7.2 Movement in investments

The movement in the investments is as follows:

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Investments at FVTOCI		
Fair value at start of period/year	65,656,343	65,726,546
Additions during the period/year	-	12,592,240
Proceeds from disposals during the period/year	-	(1,860,161)
Loss on disposal during the period/year	-	(519,888)
Net increase/(decrease) in fair value	7,554,846	(10,282,394)
Fair value at end of period/year	73,211,189	65,656,343
Investments at FVTPL		
Fair value at start of period/year	50,099,771	16,553,179
Additions during the period/year	22,466,363	47,301,107
Proceeds from disposals during the period/year	(26,486,331)	(10,871,983)
Increase/(decrease) in fair value to profit and loss	2,631,353	(2,882,532)
Fair value at end of period/year	48,711,156	50,099,771
Investments at amortised cost		
Amortised cost at start of period/year	21,524,400	27,524,400
Provision for impairment	(2,000,000)	(6,000,000)
Amortised cost at end of period/year	19,524,400	21,524,400

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 2011: AED 10,000,000) which cannot be utilised without the consent of the U.A.E. Insurance Authority.

Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)

9 Insurance contract liabilities and reinsurance contract assets

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Insurance liabilities		
Reported claims	142,269,026	134,406,538
Claims incurred but not reported	4,727,969	4,456,913
Unearned premiums	121,528,877	116,765,530
	<u>268,525,872</u>	<u>255,628,981</u>
Recoverable from reinsurers		
Reported claims	75,997,529	78,716,499
Claims incurred but not reported	357,447	880,583
Unearned premiums	50,418,200	53,625,748
	<u>126,773,176</u>	<u>133,222,830</u>
Insurance liabilities – net		
Reported claims	66,271,497	55,690,039
Claims incurred but not reported	4,370,522	3,576,330
Unearned premiums	71,110,677	63,139,782
	<u>141,752,696</u>	<u>122,406,151</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:

	<u>3 months ended 31 March</u>	
	2012 (unaudited) AED	2011 (unaudited) AED
Premiums written	<u>40,995,698</u>	<u>3,382,978</u>
Claims paid	<u>181,465</u>	<u>1,984,192</u>
Directors' remuneration	<u>750,000</u>	<u>1,750,000</u>
Remuneration of key management personnel	<u>2,021,352</u>	<u>1,500,440</u>

**Notes to the condensed financial statements
for the period ended 31 March 2012 (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

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Due from external policyholders	105,655,528	63,664,431
Due from related party policyholders	17,427,625	10,604,726
Less: allowance for doubtful debts	(6,291,017)	(6,291,017)
	<hr/>	<hr/>
Net due from policyholders	116,792,136	67,978,140
Due from insurance companies	17,175,913	26,495,726
Due from reinsurance companies	1,415,016	2,480,946
Interest receivable	2,661,940	3,314,514
Other receivables	2,540,999	651,032
	<hr/>	<hr/>
	140,586,004	100,920,358
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The average credit period on due from policy holders is 90 to 180 days. No interest is charged and no collateral is taken on trade and other receivables.

**Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)**

12 Cash and cash equivalents

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Cash on hand	19,250	19,250
Call accounts	52,987,470	14,604,790
Term deposits	184,402,358	220,761,905
	<hr/>	<hr/>
Bank balances and cash	237,409,078	235,385,945
Less: deposits with original maturities of greater than three months	(184,402,358)	(220,761,905)
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	53,006,720	14,624,040
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The interest rate on fixed deposits and call accounts with banks ranges between 0.55% and 4% (2011: 0.55% and 4%) per annum. All cash and cash equivalents are held in local banks in the United Arab Emirates.

13 Share capital

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Authorised:		
90,000,000 ordinary shares of AED 1 each	90,000,000	90,000,000
	<hr/>	<hr/>
Issued and fully paid:		
90,000,000 ordinary shares of AED 1 each	90,000,000	90,000,000
	<hr/>	<hr/>
Bonus shared issued:		
10,000,000 ordinary shares of AED 1 each	10,000,000	-
	<hr/>	<hr/>

At the Annual General Meeting held on 20 March 2012, the Shareholders approved a cash dividend of AED 36 million and bonus shares of AED 10 million.

The Company is in the process of registering the increase in capital with the concerned authorities in this regard.

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. Transfer for the current period will be made at the end of the financial year.

**Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)**

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

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Due to policy holders	13,605,395	17,458,182
Due to insurance companies	25,527,676	33,902,694
Due to reinsurance companies	45,641,496	38,210,492
Premium reserve withheld	16,900,915	20,054,258
Commissions payable	17,500,000	17,500,000
Deferred income	11,276,282	8,402,481
Directors' remuneration payable (note 10)	750,000	3,000,000
Other payables	10,174,939	10,158,525
Dividend payable	36,000,000	-
	<hr/> 177,376,703 <hr/>	<hr/> 148,686,632 <hr/>

The average credit period is 60 to 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within credit time frame.

17 Net investment and other income

	3 months ended 31 March	
	2012 (unaudited) AED	2011 (unaudited) AED
Net rental income on:		
Gross rental income	1,064,970	971,601
Less: building expenses	(205,730)	(187,536)
	<hr/> 859,240 <hr/>	<hr/> 784,065 <hr/>
Net interest income on bank deposit	1,611,801	2,370,970
Net dividend income on investment at FVTPL	311,376	-
Impairment loss on investments at amortised cost (note 7)	(2,000,000)	-
Increase/(decrease) in fair value of investments at FVTPL (note 7)	2,631,353	(603,074)
Investment expenses	(108,097)	(61,111)
Loss on disposal of property and equipment	-	(8,162)
Other income	501,553	61,877
	<hr/> 3,807,226 <hr/>	<hr/> 2,544,565 <hr/>

**Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)**

18 Profit for the period

Profit for the period is stated after charging:

	3 months ended 31 March	
	2012 (unaudited) AED	2011 (unaudited) AED
Staff costs	<u>5,953,907</u>	<u>4,414,737</u>
Depreciation of property and equipment	<u>184,964</u>	<u>222,042</u>
Amortisation of intangible assets	<u>334,501</u>	<u>135,298</u>
Foreign exchange (gain)/loss	<u>(36,677)</u>	<u>250</u>

19 Basic earnings per share

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

	3 months ended 31 March	
	2012 (unaudited)	2011 (unaudited)
Profit for the period (AED)	<u>26,609,802</u>	<u>24,398,296</u>
Weighted average number of ordinary shares in issue throughout the period	<u>100,000,000</u>	<u>100,000,000</u>
Basic earnings per share (AED)	<u>0.27</u>	<u>0.24</u>

The earnings per share for the period ended 31 March 2011 were adjusted for the bonus shares issued during 2012. As of 31 March 2012, the Company has not issued any instruments that have an impact on earnings per share when exercised.

**Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)**

20 Segment information

The Company has adopted IFRS 8 “Operating Segments” with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s system of internal financial reporting to key management personnel’ serving only as the starting point for the identification of such segments. This has not resulted in any significant change to the reportable segments presented by the Company as the segments reported by the Company was consistent with the internal reports provided to the Chief Operating Decision Maker.

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.

Information regarding the Company’s reportable segments is presented below:

AL DHAFRA INSURANCE COMPANY P.S.C.

Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)

20 Segment information (continued)

20.1 Segment revenue and results

	As at 31 March 2012 (unaudited)			As at 31 March 2011 (unaudited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	119,245,168	3,005,815	122,250,983	108,120,485	3,408,653	111,529,138
Direct costs	(88,081,634)	(331,495)	(88,413,129)	(79,750,351)	(314,729)	(80,065,080)
Administrative expenses	(6,624,914)	-	(6,624,914)	(5,031,967)	-	(5,031,967)
Depreciation expense	(184,964)	-	(184,964)	(222,042)	-	(222,042)
Amortisation expense	(334,501)	-	(334,501)	(135,298)	-	(135,298)
Other expenses	(1,216,579)	-	(1,216,579)	(1,127,096)	-	(1,127,096)
Non-cash investment: Losses	-	-	-	-	(603,074)	(603,074)
Gains	-	631,353	631,353	-	-	-
Segment profit	22,802,576	3,305,673	26,108,249	21,853,731	2,490,850	24,344,581
Other income	-	-	501,553	-	-	53,715
Profit for the period	22,802,576	3,305,673	26,609,802	21,853,731	2,490,850	24,398,296

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the three-month period ended 31 March 2012 and 2011.

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

AL DHAFRA INSURANCE COMPANY P.S.C.

Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)

	As at 31 March 2012 (unaudited)			As at 31 December 2011 (audited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
20 Segment information (continued)						
20.2 Segment assets and liabilities						
Segment assets	275,040,654	415,949,103	690,989,757	241,408,746	448,142,419	689,551,165
Unallocated assets	-	-	53,006,720	-	-	14,624,040
Total assets	275,040,654	415,949,103	743,996,477	241,408,746	448,142,419	704,175,205
Segment liabilities	407,546,679	1,905,190	409,451,869	399,351,841	1,443,403	400,795,244
Unallocated liabilities	-	-	42,528,447	-	-	8,778,448
Total liabilities	407,546,679	1,905,190	451,980,316	399,351,841	1,443,403	409,573,692
Capital expenditure	583,796	-	583,796	3,453,754	-	3,453,754

**Notes to the condensed financial statements
for the period ended 31 March 2012 (continued)****21 Seasonality of results**

No income of seasonal nature was recorded in the statement of income for the three-month periods ended 31 March 2012 and 2011.

22 Contingent liabilities

	31 March 2012 (unaudited) AED	31 December 2011 (audited) AED
Bank guarantees	12,224,213	14,217,643

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

23 Approval of interim condensed financial statements

The interim condensed financial statements were approved and authorised for issue by the Board of Directors on 30 April 2012.