

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

**Review report and interim
financial information
for the period ended 30 September 2012**

AL DHAFRA INSURANCE COMPANY P.S.C.

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**The Board of Director's Report
for the period ended 30 September 2012**



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

We are pleased to report that, as noted below, net underwriting income decreased by 0.07% and profit has increased by 6.18% as compared to the same period of last year.

Particulars	9 months ended 30 September		Variance %
	2012 (unaudited) AED	2011 (unaudited) AED	
<u>Condensed income statement</u>			
Gross written premium	240,385,605	244,388,083	(1.64)
Net underwriting income	58,185,401	58,223,738	(0.07)
Administrative and other operating expenses	22,931,132	19,386,363	18.28
Net investment and other income	11,810,025	5,716,381	106.60
Profit for the period	47,307,334	44,553,756	6.18
Basic and diluted earnings per share (AED)	0.47	0.45	

Particulars	September 2012 (unaudited) AED	December 2011 (audited) AED	Variance %
	<u>Condensed statement of financial position</u>		
Shareholders' equity	311,523,806	294,601,513	5.74
Total assets	713,203,779	704,175,205	1.28

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 30 September 2012 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the nine-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.)



Mohammad Khamees Al Tah
Registration No. 717
30 October 2012



**Condensed statement of financial position
as at 30 September 2012**

	Notes	30 September 2012 (unaudited) AED	31 December 2011 (audited) AED
ASSETS			
Non-current assets			
Property and equipment	4	2,570,937	2,605,048
Investment properties	5	80,100,000	80,100,000
Intangible assets	6	3,463,244	2,995,703
Investments designated at fair value through other comprehensive income (FVTOCI)	7	73,521,302	65,656,343
Investments at amortised cost	7	15,524,400	21,524,400
Statutory deposit	8	10,000,000	10,000,000
Total non-current assets		185,179,883	182,881,494
Current assets			
Investments designated at fair value through profit or loss (FVTPL)	7	53,446,595	50,099,771
Reinsurance contract assets	9	119,604,269	133,222,830
Trade and other receivables	11	116,427,044	100,920,358
Prepayments		2,339,397	1,664,807
Bank balances and cash	12	236,206,591	235,385,945
Total current assets		528,023,896	521,293,711
Total assets		713,203,779	704,175,205
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	100,000,000	90,000,000
Legal reserve	14	41,990,393	41,990,393
General reserve	15	145,000,000	145,000,000
Investment revaluation reserve		(98,105,221)	(105,970,180)
Retained earnings		122,638,634	123,581,300
Total shareholders' equity		311,523,806	294,601,513
Non-current liability			
End of service benefit		6,298,630	5,258,079
Current liabilities			
Insurance contract liabilities	9	256,763,784	255,628,981
Trade and other payables	16	138,617,559	148,686,632
Total current liabilities		395,381,343	404,315,613
Total liabilities		401,679,973	409,573,692
Total equity and liabilities		713,203,779	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 30 September 2012**

	Notes	3 months ended 30 September		9 months ended 30 September	
		2012 AED	2011 AED	2012 AED	2011 AED
Gross written premium		55,169,681	68,235,696	240,385,605	244,388,083
Change in unearned premium provision		5,306,428	(721,925)	2,471,634	(3,140,766)
Premium income earned		60,476,109	67,513,771	242,857,239	241,247,317
Reinsurance premium ceded		(25,494,497)	(37,915,980)	(98,183,955)	(124,685,721)
Change in unearned premium provision		(5,157,327)	(83,811)	(11,347,020)	(2,933,382)
Reinsurance ceded		(30,651,824)	(37,999,791)	(109,530,975)	(127,619,103)
Net premium earned		29,824,285	29,513,980	133,326,264	113,628,214
Net claims incurred		(23,815,090)	(21,319,791)	(80,719,769)	(64,511,524)
Gross commission earned		7,245,370	5,309,693	16,801,656	19,945,217
Less: commission incurred		(3,301,605)	(2,860,879)	(11,222,750)	(10,838,169)
Net commission earned		3,943,765	2,448,814	5,578,906	9,107,048
Net underwriting income		9,952,960	10,643,003	58,185,401	58,223,738
Administrative expenses		(5,484,630)	(5,079,687)	(18,815,631)	(14,911,144)
Other operating expenses		(1,747,510)	(1,408,277)	(4,115,501)	(4,475,219)
Net investment and other income	17	3,119,529	(496,187)	11,810,025	5,716,381
Settlement from BCCI		243,040	-	243,040	-
Profit for the period	18	6,083,389	3,658,852	47,307,334	44,553,756
Basic and diluted earnings per ordinary share	19	0.06	0.04	0.47	0.45

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

**Condensed statement of comprehensive income (unaudited)
for the period ended 30 September 2012**

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	2012 AED	2011 AED	2012 AED	2011 AED
Profit for the period	6,083,389	3,658,852	47,307,334	44,553,756
Other comprehensive income:				
Loss on disposal of investments at FVTOCI	-	(1,350,000)	-	(519,888)
Increase/(decrease) in fair value of investments at FVTOCI (note 7)	4,347,397	(3,252,333)	7,864,959	(4,987,889)
Directors' remuneration (note 10)	(750,000)	(750,000)	(2,250,000)	(3,250,000)
Total other comprehensive income/(loss) for the period	3,597,397	(5,352,333)	5,614,959	(8,757,777)
Total comprehensive income/(loss) for the period	9,680,786	(1,693,481)	52,922,293	35,795,979

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 30 September 2012

	Share capital 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	-	-	-	-	44,553,756	44,553,756
Other comprehensive loss	-	-	-	(4,987,889)	(3,769,888)	(8,757,777)
Total comprehensive (loss)/income for the period	-	-	-	(4,987,889)	40,783,868	35,795,979
Issuance of bonus shares	15,000,000	-	-	-	(15,000,000)	-
Dividends	-	-	-	-	(37,500,000)	(37,500,000)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	(1,350,000)	1,350,000	-
Balance at 30 September 2011 (unaudited)	90,000,000	37,500,000	145,000,000	(100,675,675)	128,471,524	300,295,849
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	-	-	-	-	47,307,334	47,307,334
Other comprehensive income/(loss)	-	-	-	7,864,959	(2,250,000)	5,614,959
Total comprehensive income for the period	-	-	-	7,864,959	45,057,334	52,922,293
Dividends (note 13)	-	-	-	-	(36,000,000)	(36,000,000)
Issuance of bonus shares (note 13)	10,000,000	-	-	-	(10,000,000)	-
Balance at 30 September 2012 (unaudited)	100,000,000	41,990,393	145,000,000	(98,105,221)	122,638,634	311,523,806

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

**Condensed statement of cash flows (unaudited)
for the period ended 30 September 2012**

	Notes	9 months ended 30 September	
		2012 AED	2011 AED
Operating activities			
Profit for the period		47,307,334	44,553,756
Adjustments for:			
Depreciation of property and equipment		537,430	668,532
Amortisation of intangible assets		591,625	605,536
Decrease in reinsurance contract assets		13,618,561	34,550,095
Increase/(decrease) in insurance contract liabilities		1,134,803	(27,031,160)
Investment income		(11,080,633)	(5,103,419)
(Gain)/loss on disposal of property and equipment	17	(1,600)	14,641
Net transfer to provision for end of service		1,040,551	12,270
Operating cash flows before movements in working capital		53,148,071	48,270,251
Increase in trade and other receivables		(15,113,115)	(5,832,299)
Increase in prepayments		(674,590)	(368,616)
Decrease in trade and other payables		(9,319,073)	(16,095,814)
Net cash from operating activities		28,041,293	25,973,522
Investing activities			
Movement in bank deposits with original maturities of greater than three months		14,008,249	38,953,728
Interest received		4,466,828	9,353,654
Dividends received	17	6,151,805	1,938,268
Net rental proceeds on investment properties	17	2,701,575	2,638,154
Proceeds from disposal/redemption of:			
Investments at FVTOCI		-	1,860,160
Investments at FVTPL		62,485,451	-
Property and equipment		1,600	8,600
Payment of investment expenses	17	(225,573)	(117,283)
Directors remuneration paid		(3,000,000)	(3,000,000)
Purchase of:			
Property and equipment		(503,319)	(878,037)
Intangible assets		(1,059,166)	(2,105,703)
Investments at FVTOCI		-	(12,592,239)
Investments at FVTPL		(62,239,848)	(35,815,069)
Net cash from investing activities		22,787,602	244,233
Financing activities			
Dividends paid		(36,000,000)	(37,500,000)
Increase/(decrease) in cash and cash equivalents		14,828,895	(11,282,245)
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	29,452,935	31,381,060

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

**Notes to the condensed financial statements
for the period ended 30 September 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 accounting for government loans at below market interest rate	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
Annual Improvements 2009 – 2011 Cycle covering amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34	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 30 September 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.

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.

**Notes to the condensed financial statements
for the period ended 30 September 2012 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Investment in securities (continued)

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.

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.

**Notes to the condensed financial statements
for the period ended 30 September 2012 (continued)**

4 Property and equipment

Included in property and equipment at 30 September 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.

5 Investment properties

	Land AED	Abu Dhabi building AED	Al Ain building AED	Total AED
Fair values as at 1 January 2011 and 30 September 2012 (unaudited)	52,350,000	24,750,000	3,000,000	80,100,000

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 and considered the 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, as at 31 December 2011.

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 1992. 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. These are amortized over useful lives of 6 years.

**Notes to the condensed financial statements
for the period ended 30 September 2012 (continued)**

7 Investments

7.1 Composition of investments

	30 September 2012 (unaudited) AED	31 December 2011 (audited) AED
Investments at FVTOCI		
Quoted UAE equity securities	73,521,302	65,656,343
	<hr/> <hr/>	<hr/> <hr/>
Investments at FVTPL		
Investment funds	53,446,595	50,099,771
	<hr/> <hr/>	<hr/> <hr/>
Investments at amortised cost		
Investment funds	5,610,000	11,610,000
Bonds	9,914,400	9,914,400
	<hr/> <hr/>	<hr/> <hr/>
	15,524,400	21,524,400
	<hr/> <hr/>	<hr/> <hr/>
<i>Current</i>	-	-
<i>Non-current</i>	15,524,400	21,524,400
	<hr/> <hr/>	<hr/> <hr/>
	15,524,400	21,524,400
	<hr/> <hr/>	<hr/> <hr/>

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 12,750,000 as at 30 September 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:

	30 September 2012 (unaudited) AED	31 December 2011 (audited) AED
Within UAE	142,492,297	137,280,514
Outside UAE	-	-
	<hr/> <hr/>	<hr/> <hr/>
	142,492,297	137,280,514
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**Notes to the condensed financial statements
for the period ended 30 September 2012 (continued)**

7 Investments (continued)

7.2 Movement in investments

The movement in the investments is as follows:

	30 September 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	7,864,959	(10,282,394)
Fair value at end of period/year	73,521,302	65,656,343
Investments at FVTPL		
Fair value at start of period/year	50,099,771	16,553,179
Additions during the period/year	62,239,848	47,301,107
Proceeds from disposals during the period/year	(62,485,451)	(10,871,983)
Increase/(decrease) in fair value to profit and loss	3,592,427	(2,882,532)
Fair value at end of period/year	53,446,595	50,099,771
Investments at amortised cost		
Amortised cost at start of period/year	21,524,400	27,524,400
Provision for impairment	(6,000,000)	(6,000,000)
Amortised cost at end of period/year	15,524,400	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 30 September 2012 (continued)**

9 Insurance contract liabilities and reinsurance contract assets

	30 September 2012 (unaudited) AED	31 December 2011 (audited) AED
Insurance liabilities		
Reported claims	138,448,432	134,406,538
Claims incurred but not reported	4,021,456	4,456,913
Unearned premiums	114,293,896	116,765,530
	<u>256,763,784</u>	<u>255,628,981</u>
Recoverable from reinsurers		
Reported claims	76,099,420	78,716,499
Claims incurred but not reported	1,226,121	880,583
Unearned premiums	42,278,728	53,625,748
	<u>119,604,269</u>	<u>133,222,830</u>
Insurance liabilities – net		
Reported claims	62,349,012	55,690,039
Claims incurred but not reported	2,795,335	3,576,330
Unearned premiums	72,015,168	63,139,782
	<u>137,159,515</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:

	3 months ended 30 September		9 months ended 30 September	
	2012 (unaudited) AED	2011 (unaudited) AED	2012 (unaudited) AED	2011 (unaudited) AED
Premiums written	<u>3,360,965</u>	<u>2,978,630</u>	<u>47,649,226</u>	<u>10,018,695</u>
Claims paid	<u>7,035,668</u>	<u>7,781</u>	<u>7,746,341</u>	<u>3,623,129</u>
Directors' remuneration	<u>750,000</u>	<u>750,000</u>	<u>2,250,000</u>	<u>3,250,000</u>
Key management remuneration	<u>2,020,440</u>	<u>1,494,479</u>	<u>6,062,840</u>	<u>4,470,998</u>

**Notes to the condensed financial statements
for the period ended 30 September 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

	30 September 2012 (unaudited) AED	31 December 2011 (audited) AED
Due from external policyholders	68,334,628	63,664,431
Due from related party policyholders	34,690,184	10,604,726
Less: allowance for doubtful debts	(6,291,017)	(6,291,017)
	<hr/>	<hr/>
Net due from policyholders	96,733,795	67,978,140
Due from insurance companies	14,117,276	26,495,726
Due from reinsurance companies	1,781,991	2,480,946
Interest receivable	2,920,943	3,314,514
Other receivables	873,039	651,032
	<hr/>	<hr/>
	116,427,044	100,920,358
	<hr/> <hr/>	<hr/> <hr/>

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.

12 Cash and cash equivalents

	30 September 2012 (unaudited) AED	31 December 2011 (audited) AED
Cash on hand	19,250	19,250
Call accounts	29,433,685	14,604,790
Term deposits	206,753,656	220,761,905
	<hr/>	<hr/>
Bank balances and cash	236,206,591	235,385,945
Less: deposits with original maturities of greater than three months	(206,753,656)	(220,761,905)
	<hr/>	<hr/>
	29,452,935	14,624,040
	<hr/> <hr/>	<hr/> <hr/>

The interest rate on fixed deposits and call accounts with banks ranges between 0.55% and 3.5% (2011: 0.55 % and 4%) per annum. 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 September 2012 (continued)**

13 Share capital

	30 September 2012 (unaudited) AED	31 December 2011 (audited) AED
Authorised:		
100,000,000 (2011: 90,000,000) ordinary shares of AED 1 each	<u>100,000,000</u>	<u>90,000,000</u>
Issued and fully paid:		
100,000,000 (2011: 90,000,000) ordinary shares of AED 1 each	<u>100,000,000</u>	<u>90,000,000</u>

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 has completed the registration formalities with the concerned authorities in relation to the capital increase.

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 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.

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

	30 September 2012 (unaudited) AED	31 December 2011 (audited) AED
Due to policy holders	14,615,529	17,458,182
Due to insurance companies	26,028,579	33,902,694
Due to reinsurance companies	42,528,037	38,210,492
Premium reserve withheld	13,963,924	20,054,258
Commissions payable	17,500,000	17,500,000
Deferred income	10,897,363	8,402,481
Directors' remuneration payable (note 10)	2,250,000	3,000,000
Other payables	10,834,127	10,158,525
	<u>138,617,559</u>	<u>148,686,632</u>

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.

**Notes to the condensed financial statements
for the period ended 30 September 2012 (continued)**

17 Net investment and other income

	3 months ended 30 September		9 months ended 30 September	
	2012 (unaudited) AED	2011 (unaudited) AED	2012 (unaudited) AED	2011 (unaudited) AED
Net rental income on:				
Gross rental income	997,121	1,061,576	3,184,761	3,044,902
Less: building expenses	(114,869)	(75,334)	(483,186)	(406,748)
Net rental income	<u>882,252</u>	<u>986,242</u>	<u>2,701,575</u>	<u>2,638,154</u>
Net interest income on:				
Bank deposit	1,447,047	2,266,158	4,942,268	6,487,174
Interest paid to reinsurers	(81,916)	-	(81,916)	531,207
Net interest income	<u>1,365,131</u>	<u>2,266,158</u>	<u>4,860,352</u>	<u>7,018,381</u>
Net dividend income on investments at:				
FVTOCI	292,601	273,500	3,666,443	1,938,268
FVTPL	1,745,038	-	2,485,362	-
	<u>2,037,639</u>	<u>273,500</u>	<u>6,151,805</u>	<u>1,938,268</u>
Increase/(decrease) in fair value of investments at FVTPL (note 7)	1,384,921	(2,073,713)	3,592,427	(2,374,101)
Impairment of investments at amortised cost (note 7)	(2,000,000)	(2,000,000)	(6,000,000)	(4,000,000)
Investment expenses	(60,390)	(14,625)	(225,573)	(117,283)
(Loss)/gain on disposal of property and equipment	-	(1,074)	1,600	(14,641)
Other income	(490,024)	67,325	727,839	627,603
	<u>3,119,529</u>	<u>(496,187)</u>	<u>11,810,025</u>	<u>5,716,381</u>

**Notes to the condensed financial statements
for the period ended 30 September 2012 (continued)**

18 Profit for the period

Profit for the period is stated after charging:

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	2012 (unaudited) AED	2011 (unaudited) AED	2012 (unaudited) AED	2011 (unaudited) AED
Staff costs	5,231,639	4,372,890	16,480,878	13,192,820
Depreciation of property and equipment	169,460	222,815	537,430	668,532
Amortisation of intangible assets	138,736	357,350	591,625	605,536
Foreign exchange loss	52,608	2,993	30,304	5,598

19 Earnings per ordinary 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:

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	2012 (unaudited) AED	2011 (unaudited) AED	2012 (unaudited) AED	2011 (unaudited) AED
Profit for the period (AED)	6,083,389	3,658,852	47,307,334	44,553,756
Ordinary shares in issue throughout the period	100,000,000	100,000,000	100,000,000	100,000,000
Basic and diluted earnings per share (AED)	0.06	0.04	0.47	0.45

The earnings per share for the period ended 30 September 2011 were adjusted for the bonus shares issued during 2012. As of 30 September 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 30 September 2012 (continued)**

20 Segment information

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units are managed separately because they require different approach, technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis.

The following summary describes the 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 30 September 2012 (continued)

20 Segment information (continued)	9 months ended 30 September 2012 (unaudited)			9 months ended 30 September 2011 (unaudited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
20.1 Segment revenue and results						
Direct revenues	257,187,261	14,278,881	271,466,142	264,333,300	12,166,660	276,499,960
Direct costs	(199,001,860)	(790,675)	(199,792,535)	(206,109,562)	(689,140)	(206,798,702)
Administrative expenses	(18,815,631)	-	(18,815,631)	(14,911,144)	-	(14,911,144)
Depreciation expense	(537,430)	-	(537,430)	(668,532)	-	(668,532)
Amortisation expense	(591,625)	-	(591,625)	(605,536)	-	(605,536)
Other expenses	(2,743,406)	-	(2,743,406)	(3,201,151)	-	(3,201,151)
Non-cash investment losses	-	(2,407,620)	(2,407,620)	-	(6,374,100)	(6,374,100)
Segment profit	35,497,309	11,080,586	46,577,895	38,837,375	5,103,420	43,940,795
Other income	-	-	729,439	-	-	612,961
Profit for the period	35,497,309	11,080,586	47,307,334	38,837,375	5,103,420	44,553,756

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the nine-month period ended 30 September 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 30 September 2012 (continued)

	As at 30 September 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	244,404,891	439,345,953	683,750,844	241,408,746	448,142,419	689,551,165
Unallocated assets	-	-	29,452,935	-	-	14,624,040
Total assets	244,404,891	439,345,953	713,203,779	241,408,746	448,142,419	704,175,205
Segment liabilities	394,154,158	1,547,075	395,701,233	399,351,841	1,443,403	400,795,244
Unallocated liabilities	-	-	5,978,740	-	-	8,778,448
Total liabilities	394,154,158	1,547,075	401,679,973	399,351,841	1,443,403	409,573,692
Capital expenditure	1,562,485	-	1,562,485	3,453,754	-	3,453,754

**Notes to the condensed financial statements
for the period ended 30 September 2012 (continued)**

21 Seasonality of results

No income of seasonal nature was recorded in the statement of income for the nine-month periods ended 30 September 2012 and 2011.

22 Contingent liabilities

	30 September 2012 (unaudited) AED	31 December 2011 (audited) AED
Bank guarantees	12,677,705	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 October 2012.