

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

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

AL DHAFRA INSURANCE COMPANY P.S.C.

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for the period ended 30 June 2012**

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

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

We are pleased to report that, as noted below, net underwriting income increased by 1.37% and profit has increased by 0.80% as compared to the same period of last year.

Particulars	6 months ended 30 June		Variance %
	2012 (unaudited) AED	2011 (unaudited) AED	
<u>Condensed income statement</u>			
Gross written premium	185,215,924	176,152,387	5.15%
Net underwriting income	48,232,442	47,580,735	1.37%
Administrative and other operating expenses	15,698,992	12,898,399	21.71%
Net investment and other income	8,690,496	6,212,568	39.89%
Profit for the period	41,223,946	40,894,904	0.80%
Basic and diluted earnings per share (AED)	0.41	0.41	
	June 2012 (unaudited) AED	December 2011 (audited) AED	Variance %
<u>Condensed statement of financial position</u>			
Shareholders' equity	301,843,021	294,601,513	2.46%
Total assets	709,860,769	704,175,205	0.81%

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 June 2012 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 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.

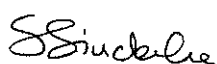
Scope of review

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 No. 410
30 July 2012



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

	Notes	30 June 2012 (unaudited) AED	31 December 2011 (audited) AED
ASSETS			
Non-current assets			
Property and equipment	4	2,698,483	2,605,048
Investment properties	5	80,100,000	80,100,000
Intangible assets	6	3,283,160	2,995,703
Investments designated at fair value through other comprehensive income (FVTOCI)	7	69,173,905	65,656,343
Investments at amortised cost	7	17,524,400	21,524,400
Statutory deposit	8	10,000,000	10,000,000
Total non-current assets		182,779,948	182,881,494
Current assets			
Investments designated at fair value through profit or loss (FVTPL)	7	54,055,200	50,099,771
Reinsurance contract assets	9	127,384,887	133,222,830
Trade and other receivables	11	119,172,121	100,920,358
Prepayments		2,878,322	1,664,807
Bank balances and cash	12	223,590,291	235,385,945
Total current assets		527,080,821	521,293,711
Total assets		709,860,769	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		(102,452,618)	(105,970,180)
Retained earnings		117,305,246	123,581,300
Total shareholders' equity		301,843,021	294,601,513
Non-current liability			
End of service benefit		6,196,744	5,258,079
Current liabilities			
Insurance contract liabilities	9	265,118,631	255,628,981
Trade and other payables	16	136,702,373	148,686,632
Total current liabilities		401,821,004	404,315,613
Total liabilities		408,017,748	409,573,692
Total equity and liabilities		709,860,769	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 June 2012**

	Notes	3 months ended 30 June		6 months ended 30 June	
		2012 AED	2011 AED	2012 AED	2011 AED
Gross written premium		71,021,731	75,675,329	185,215,924	176,152,387
Change in unearned premium provision		1,928,554	5,134,413	(2,834,793)	(2,418,841)
Premium income earned		72,950,285	80,809,742	182,381,131	173,733,546
Reinsurance premium ceded		(36,642,330)	(43,689,625)	(72,689,458)	(86,769,741)
Change in unearned premium provision		(2,982,145)	(1,764,250)	(6,189,693)	(2,849,571)
Reinsurance ceded		(39,624,475)	(45,453,875)	(78,879,151)	(89,619,312)
Net premium earned		33,325,810	35,355,867	103,501,980	84,114,234
Net claims incurred		(17,405,450)	(19,522,706)	(56,904,679)	(43,191,733)
Gross commission earned		4,505,311	6,992,097	9,556,286	14,635,524
Less: commission incurred		(3,356,763)	(3,614,657)	(7,921,145)	(7,977,290)
Net commission earned		1,148,548	3,377,440	1,635,141	6,658,234
Net underwriting income		17,068,908	19,210,601	48,232,442	47,580,735
Administrative expenses		(6,131,440)	(4,799,490)	(12,756,354)	(9,831,457)
Other operating expenses		(1,206,594)	(1,582,506)	(2,942,638)	(3,066,942)
Net investment and other income	17	4,883,270	3,668,003	8,690,496	6,212,568
Profit for the period	18	14,614,144	16,496,608	41,223,946	40,894,904
Basic and diluted earnings per ordinary share	19	0.15	0.16	0.41	0.41

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

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

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
Profit for the period	14,614,144	16,496,608	41,223,946	40,894,904
Other comprehensive income/(loss):				
Loss on disposal of investments at FVTOCI	-	(519,888)	-	(519,888)
Net fair value (loss)/gain on investments at FVTOCI (note 7.2)	(4,037,284)	(363,790)	3,517,562	(1,735,556)
Directors' remuneration (note 10)	(750,000)	(750,000)	(1,500,000)	(2,500,000)
Total other comprehensive (loss)/income for the period	(4,787,284)	(1,633,678)	2,017,562	(4,755,444)
Total comprehensive income for the period	9,826,860	14,862,930	43,241,508	36,139,460

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 June 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	-	-	-	-	40,894,904	40,894,904
Other comprehensive loss	-	-	-	(1,735,556)	(3,019,888)	(4,755,444)
Total comprehensive (loss)/income for the period	-	-	-	(1,735,556)	37,875,016	36,139,460
Dividends	-	-	-	-	(37,500,000)	(37,500,000)
Issuance of bonus shares	15,000,000	-	-	-	(15,000,000)	-
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	(1,350,000)	1,350,000	-
Balance at 30 June 2011 (unaudited)	90,000,000	37,500,000	145,000,000	(97,423,342)	125,562,672	300,639,330
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	-	-	-	-	41,223,946	41,223,946
Other comprehensive income/(loss)	-	-	-	3,517,562	(1,500,000)	2,017,562
Total comprehensive income for the period	-	-	-	3,517,562	39,723,946	43,241,508
Dividends (note 13)	-	-	-	-	(36,000,000)	(36,000,000)
Issuance of bonus shares (note 13)	10,000,000	-	-	-	(10,000,000)	-
Balance at 30 June 2012 (unaudited)	100,000,000	41,990,393	145,000,000	(102,452,618)	117,305,246	301,843,021

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

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

	Notes	6 months ended 30 June	
		2012 AED	2011 AED
Operating activities			
Profit for the period		41,223,946	40,894,904
Adjustments for:			
Depreciation of property and equipment		367,970	445,717
Amortisation of intangible assets		452,889	248,186
Investment income		(7,471,033)	(5,665,857)
(Gain)/loss on disposal of property and equipment	17	(1,600)	13,567
Net transfer to provision for end of service benefit		938,665	(57,083)
Operating cash flows before movements in working capital		35,510,837	35,879,434
Decrease in reinsurance contract assets		5,837,943	24,761,156
Increase/(decrease) in insurance contract liabilities		9,489,650	(19,908,843)
Increase in trade and other receivables		(16,638,188)	(3,625,770)
Increase in prepayments		(1,213,515)	(66,978)
Decrease in trade and other payables		(10,484,259)	(12,773,542)
Net cash from operating activities		22,502,468	24,265,457
Investing activities			
Movement in bank deposits with original maturities of greater than three months		19,212,844	77,721,703
Interest received		1,881,646	4,722,116
Dividends received	17	4,114,166	1,664,768
Net rental income on investment properties	17	1,819,323	1,651,912
Proceeds from disposal of property and equipment		1,600	8,600
Payments for property and equipment		(461,405)	(613,975)
Payments for intangible assets		(740,346)	(1,409,233)
Payments for purchase of investment at FVTOCI		-	(11,964,498)
Proceeds from disposal of investment at FVTOCI		-	1,860,162
Payments for purchase of investment at FVTPL	7.2	(42,251,880)	-
Proceeds from disposal of investment at FVTPL	7.2	40,503,957	-
Payment of investment expenses		(165,183)	(102,658)
Directors' remuneration paid	17	(3,000,000)	(1,000,000)
Net cash from investing activities		20,914,722	72,538,897
Financing activities			
Dividends paid		(36,000,000)	(37,500,000)
Increase in cash and cash equivalents		7,417,190	59,304,354
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	22,041,230	101,967,659

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

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

4 Property and equipment

Included in property and equipment at 30 June 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 June 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 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. These are amortised over useful lives of 6 years.

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

7 Investments

7.1 Composition of investments

	30 June 2012 (unaudited) AED	31 December 2011 (audited) AED
Investments at FVTOCI		
Quoted UAE equity securities	69,173,905	65,656,343
Investments at FVTPL		
Investment funds	54,055,200	50,099,771
Investments at amortised cost		
Investment funds	7,610,000	11,610,000
Bonds	9,914,400	9,914,400
	17,524,400	21,524,400
<i>Current</i>	-	-
<i>Non-current</i>	17,524,400	21,524,400
	17,524,400	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 10,750,000 as at 30 June 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 June 2012 (unaudited) AED	31 December 2011 (audited) AED
Within UAE	140,753,505	137,280,514
Outside UAE	-	-
	140,753,505	137,280,514

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

7 Investments (continued)

7.2 Movement in investments

The movement in the investments is as follows:

	30 June 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	3,517,562	(10,282,394)
Fair value at end of period/year	69,173,905	65,656,343
Investments at FVTPL		
Fair value at start of period/year	50,099,771	16,553,179
Additions during the period/year	42,251,880	47,301,107
Proceeds from disposals during the period/year	(40,503,957)	(10,871,983)
Increase/(decrease) in fair value to profit and loss	2,207,506	(2,882,532)
Fair value at end of period/year	54,055,200	50,099,771
Investments at amortised cost		
Amortised cost at start of period/year	21,524,400	27,524,400
Provision for impairment	(4,000,000)	(6,000,000)
Amortised cost at end of period/year	17,524,400	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 June 2012 (continued)**

9 Insurance contract liabilities and reinsurance contract assets

	30 June 2012 (unaudited) AED	31 December 2011 (audited) AED
Insurance liabilities		
Reported claims	140,892,871	134,406,538
Claims incurred but not reported	4,625,437	4,456,913
Unearned premiums	119,600,323	116,765,530
	<u>265,118,631</u>	<u>255,628,981</u>
Recoverable from reinsurers		
Reported claims	78,567,661	78,716,499
Claims incurred but not reported	1,381,171	880,583
Unearned premiums	47,436,055	53,625,748
	<u>127,384,887</u>	<u>133,222,830</u>
Insurance liabilities – net		
Reported claims	62,325,210	55,690,039
Claims incurred but not reported	3,244,266	3,576,330
Unearned premiums	72,164,268	63,139,782
	<u>137,733,744</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 30 June</u>		<u>6 months ended 30 June</u>	
	2012 (unaudited) AED	2011 (unaudited) AED	2012 (unaudited) AED	2011 (unaudited) AED
Premiums written	<u>3,292,563</u>	<u>3,657,087</u>	<u>44,288,261</u>	<u>7,040,065</u>
Claims paid	<u>529,208</u>	<u>1,631,156</u>	<u>710,673</u>	<u>3,615,348</u>
Directors' remuneration	<u>750,000</u>	<u>750,000</u>	<u>1,500,000</u>	<u>2,500,000</u>
Key management remuneration	<u>2,021,048</u>	<u>1,476,079</u>	<u>4,042,400</u>	<u>2,976,519</u>

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.

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

11 Trade and other receivables

	30 June 2012 (unaudited) AED	31 December 2011 (audited) AED
Due from external policyholders	61,543,110	63,664,431
Due from related party policyholders	42,947,825	10,604,726
Less: allowance for doubtful debts	(6,291,017)	(6,291,017)
	<hr/>	<hr/>
Net due from policyholders	98,199,918	67,978,140
Due from insurance companies	16,626,356	26,495,726
Due from reinsurance companies	244,755	2,480,946
Interest receivable	1,700,939	3,314,514
Other receivables	2,400,153	651,032
	<hr/>	<hr/>
	119,172,121	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 June 2012 (unaudited) AED	31 December 2011 (audited) AED
Cash on hand	19,250	19,250
Call accounts	22,021,980	14,604,790
Term deposits	201,549,061	220,761,905
	<hr/>	<hr/>
Bank balances and cash	223,590,291	235,385,945
Less: deposits with original maturities of greater than three months	(201,549,061)	(220,761,905)
	<hr/>	<hr/>
	22,041,230	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 June 2012 (continued)**

13 Share capital

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

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 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.

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 June 2012 (unaudited) AED	31 December 2011 (audited) AED
Due to policy holders	11,855,250	17,458,182
Due to insurance companies	27,609,264	33,902,694
Due to reinsurance companies	43,305,985	38,210,492
Premium reserve withheld	15,408,811	20,054,258
Commissions payable	17,500,000	17,500,000
Deferred income	11,138,770	8,402,481
Directors' remuneration payable (note 10)	1,500,000	3,000,000
Other payables	8,384,293	10,158,525
	136,702,373	148,686,632

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 June 2012 (continued)**

17 Net investment and other income

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2012 (unaudited) AED	2011 (unaudited) AED	2012 (unaudited) AED	2011 (unaudited) AED
Net rental income on:				
Gross rental income	1,122,670	1,011,725	2,187,640	1,983,326
Less: building expenses	(162,587)	(143,878)	(368,317)	(331,414)
Net rental income	<u>960,083</u>	<u>867,847</u>	<u>1,819,323</u>	<u>1,651,912</u>
Net interest income on:				
Bank deposit	1,883,420	1,850,046	3,495,221	4,221,016
Investments at amortised cost	-	531,207	-	531,207
Net interest income	<u>1,883,420</u>	<u>2,381,253</u>	<u>3,495,221</u>	<u>4,752,223</u>
Net dividend income on investments:				
At FVTOCI	3,373,842	1,664,768	3,373,842	1,664,768
At FVTPL	428,948	-	740,324	-
	<u>3,802,790</u>	<u>1,664,768</u>	<u>4,114,166</u>	<u>1,664,768</u>
(Decrease)/increase in fair value of investments at FVTPL (note 7.2)	(423,847)	302,686	2,207,506	(300,388)
Investment expenses	(57,086)	(41,547)	(165,183)	(102,658)
Impairment loss of investment at amortised cost (note 7.2)	(2,000,000)	(2,000,000)	(4,000,000)	(2,000,000)
Gain/(loss) on disposal of property and equipment	1,600	(5,405)	1,600	(13,567)
Other income	716,310	498,401	1,217,863	560,278
	<u>4,883,270</u>	<u>3,668,003</u>	<u>8,690,496</u>	<u>6,212,568</u>

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

18 Profit for the period

Profit for the period is stated after charging:

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2012 (unaudited) AED	2011 (unaudited) AED	2012 (unaudited) AED	2011 (unaudited) AED
Staff costs	<u>5,295,332</u>	<u>4,405,193</u>	<u>11,249,239</u>	<u>8,819,930</u>
Depreciation of property and equipment	<u>183,006</u>	<u>223,675</u>	<u>367,970</u>	<u>445,717</u>
Amortisation of intangible assets	<u>118,388</u>	<u>112,888</u>	<u>452,889</u>	<u>248,186</u>
Foreign exchange loss/(gain)	<u>14,373</u>	<u>2,355</u>	<u>(22,304)</u>	<u>2,605</u>

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 June</u>		<u>6 months ended 30 June</u>	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Profit for the period (AED)	<u>14,614,144</u>	<u>16,496,608</u>	<u>41,223,946</u>	<u>40,894,904</u>
Ordinary shares in issue throughout the period	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.15</u>	<u>0.16</u>	<u>0.41</u>	<u>0.41</u>

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

20 Segment information (continued)

20.1 Segment revenue and results

	6 months ended 30 June 2012 (unaudited)			6 months ended 30 June 2011 (unaudited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	194,772,210	9,840,873	204,613,083	190,787,911	8,522,877	199,310,788
Direct costs	(146,539,768)	(577,346)	(147,117,114)	(143,207,176)	(556,632)	(143,763,808)
Administrative expenses	(12,756,354)	-	(12,756,354)	(9,831,457)	-	(9,831,457)
Depreciation expense	(367,970)	-	(367,970)	(445,717)	-	(445,717)
Amortisation expense	(452,889)	-	(452,889)	(248,186)	-	(248,186)
Other expenses	(2,121,779)	-	(2,121,779)	(2,373,039)	-	(2,373,039)
Non-cash investment losses	-	(1,792,494)	(1,792,494)	-	(2,300,388)	(2,300,388)
Segment profit	32,533,450	7,471,033	40,004,483	34,682,336	5,665,857	40,348,193
Other income	-	-	1,219,463	-	-	546,711
Profit for the period	32,533,450	7,471,033	41,223,946	34,682,336	5,665,857	40,894,904

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 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 June 2012 (continued)

20 Segment information (continued)	As at 30 June 2012 (unaudited)			As at 31 December 2011 (audited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
20.2 Segment assets and liabilities						
Segment assets	255,416,973	432,402,566	687,819,539	241,408,746	448,142,419	689,551,165
Unallocated assets	-	-	22,041,230	-	-	14,624,040
Total assets	255,416,973	432,402,566	709,860,769	241,408,746	448,142,419	704,175,205
Segment liabilities	400,656,495	1,772,023	402,428,518	399,351,841	1,443,403	400,795,244
Unallocated liabilities	-	-	5,589,230	-	-	8,778,448
Total liabilities	400,656,495	1,772,023	408,017,748	399,351,841	1,443,403	409,573,692
Capital expenditure	1,201,751	-	1,201,751	3,453,754	-	3,453,754

**Notes to the condensed financial statements
for the period ended 30 June 2012 (continued)****21 Seasonality of results**

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

22 Contingent liabilities

	30 June 2012 (unaudited) AED	31 December 2011 (audited) AED
Bank guarantees	12,642,813	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 July 2012.