

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

**Review report and interim
financial information for the
period ended 30 September 2014**

AL DHAFRA INSURANCE COMPANY P.S.C.

**Review report and interim financial information
for the period ended 30 September 2014**

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**The Board of Director's Report
for the period ended 30 September 2014**

The Board of Directors takes great pleasure in presenting the unaudited results for the first nine months of 2014.

As noted below, net underwriting income increased by 14.58% and profit has increased by 30.69% as compared to the same period of last year.

| Particulars | 9 months ended 30 September | | Variance % |
|---|-----------------------------|-------------|---------------|
| | 2014 | 2013 | |
| | (unaudited) | (unaudited) | |
| | AED | AED | |
| <u>Condensed statement of profit or loss</u> | | | |
| Gross written premium | 288,476,790 | 251,801,222 | 14.57% |
| Net underwriting income | 51,998,612 | 45,383,806 | 14.58% |
| Administrative and other operating expenses | 26,564,072 | 25,539,185 | 4.01% |
| Net investment and other income | 33,016,771 | 24,880,538 | 32.70% |
| Profit for the period | 58,451,311 | 44,725,159 | 30.69% |
| Basic and diluted earnings per share (AED) | 0.58 | 0.45 | |
| | 30 September | 31 December | Variance |
| | 2014 | 2013 | % |
| | (unaudited) | (audited) | |
| | AED | AED | |
| <u>Condensed statement of financial position</u> | | | |
| Shareholders' equity | 458,262,368 | 401,408,034 | 14.16% |
| Total assets | 900,451,896 | 820,063,638 | 9.80% |

We expect improvement in the overall investment segment results in the current year compared to 2013.

Chairman
4 November 2014



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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 2014 and the related condensed statements of profit or loss, 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.

Deloitte & Touche (M.E.)


Mohammad Khamees Al Tah
Registration No. 717
4 November 2014



**Condensed statement of financial position
as at 30 September 2014**

| | Notes | 30 September 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|---|-------|--|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | | 1,511,398 | 1,168,922 |
| Investment properties | 5 | 82,000,000 | 82,000,000 |
| Intangible assets | 6 | 4,043,679 | 4,795,137 |
| Investments designated at fair value through other comprehensive income (FVTOCI) | 7 | 213,605,626 | 176,456,409 |
| Investments at amortised cost | 7 | 3,610,000 | 3,610,000 |
| Statutory deposit | 8 | 10,000,000 | 10,000,000 |
| Total non-current assets | | 314,770,703 | 278,030,468 |
| Current assets | | | |
| Investments designated at fair value through profit or loss (FVTPL) | 7 | 134,047,801 | 91,548,315 |
| Investments at amortised cost | | - | 9,914,400 |
| Reinsurance contract assets | 9 | 119,763,878 | 122,854,286 |
| Trade and other receivables | 11 | 127,649,794 | 109,967,934 |
| Prepayments | | 2,668,512 | 1,964,247 |
| Bank balances and cash | 12 | 201,551,208 | 205,783,988 |
| Total current assets | | 585,681,193 | 542,033,170 |
| Total assets | | 900,451,896 | 820,063,638 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | 13 | 100,000,000 | 100,000,000 |
| Legal reserve | 14 | 50,000,000 | 50,000,000 |
| General reserve | 15 | 145,000,000 | 145,000,000 |
| Investment revaluation reserve | | 22,239,809 | (15,632,267) |
| Retained earnings | | 141,022,559 | 122,040,301 |
| Total shareholders' equity | | 458,262,368 | 401,408,034 |
| Non-current liability | | | |
| Provision for end of service benefit | | 7,433,251 | 7,323,179 |
| Current liabilities | | | |
| Insurance contract liabilities | 9 | 279,099,054 | 255,723,360 |
| Trade and other payables | 16 | 155,657,223 | 155,609,065 |
| Total current liabilities | | 434,756,277 | 411,332,425 |
| Total liabilities | | 442,189,528 | 418,655,604 |
| Total equity and liabilities | | 900,451,896 | 820,063,638 |

Assistant General Manager - Finance

General Manager

Board Member



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

**Condensed statement of profit or loss (unaudited)
for the period ended 30 September 2014**

| | | 3 months ended 30 September | | 9 months ended 30 September | |
|--|--------------|------------------------------------|---------------------|------------------------------------|----------------------|
| | Notes | 2014 | 2013 | 2014 | 2013 |
| | | AED | AED | AED | AED |
| Gross written premium | | 84,850,605 | 61,244,687 | 288,476,790 | 251,801,222 |
| Change in unearned premium provision | | (9,558,560) | (2,500,045) | (10,933,170) | (4,154,445) |
| Premium income earned | | 75,292,045 | 58,744,642 | 277,543,620 | 247,646,777 |
| Reinsurance premium ceded | | (29,417,954) | (27,966,940) | (102,418,409) | (98,422,955) |
| Change in unearned premium provision | | 184 | 992,615 | 305,445 | 232,041 |
| Reinsurance ceded | | (29,417,770) | (26,974,325) | (102,112,964) | (98,190,914) |
| Net premium earned | | 45,874,275 | 31,770,317 | 175,430,656 | 149,455,863 |
| Net claims incurred | | (41,861,034) | (32,300,881) | (128,335,451) | (112,235,946) |
| Gross commission earned | | 8,899,062 | 7,535,381 | 20,924,566 | 19,555,056 |
| Less: commission incurred | | (6,426,686) | (3,963,362) | (16,021,159) | (11,391,167) |
| Net commission earned | | 2,472,376 | 3,572,019 | 4,903,407 | 8,163,889 |
| Net underwriting income | | 6,485,617 | 3,041,455 | 51,998,612 | 45,383,806 |
| Administrative expenses | | (6,621,059) | (5,944,900) | (18,904,486) | (18,423,516) |
| Other operating expenses | | (2,493,728) | (2,337,752) | (7,659,586) | (7,115,669) |
| Net investment and other income | 17 | 16,748,721 | 7,446,240 | 33,016,771 | 24,880,538 |
| Profit for the period | 18 | 14,119,551 | 2,205,043 | 58,451,311 | 44,725,159 |
| Basic and diluted earnings per ordinary share | 19 | 0.14 | 0.02 | 0.58 | 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 2014**

| | 3 months ended 30 September | | 9 months ended 30 September | |
|---|--|-------------------|--|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | AED | AED | AED | AED |
| Profit for the period | 14,119,551 | 2,205,043 | 58,451,311 | 44,725,159 |
| Other comprehensive income: | | | | |
| <i>Items not to be reclassified to profit or loss in subsequent period:</i> | | | | |
| Gain on disposal of investments at FVTOCI | - | - | 7,132 | 40,663 |
| Net fair value gain on investments at FVTOCI (note 7.2) | 30,275,642 | 12,969,177 | 38,395,891 | 53,358,914 |
| Total other comprehensive income for the period | 30,275,642 | 12,969,177 | 38,403,023 | 53,399,577 |
| Total comprehensive income for the period | 44,395,193 | 15,174,220 | 96,854,334 | 98,124,736 |

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 2014**

| | Share capital AED | Legal reserve AED | General reserve AED | Investment revaluation reserve AED | Retained earnings AED | Total AED |
|---|-------------------------|-------------------------|---------------------------|---|-----------------------------|--------------------|
| Balance at 1 January 2013 (audited) | 100,000,000 | 46,928,103 | 145,000,000 | (96,460,870) | 116,662,270 | 312,129,503 |
| Profit for the period | - | - | - | - | 44,725,159 | 44,725,159 |
| Other comprehensive income | - | - | - | 53,358,914 | 40,663 | 53,399,577 |
| Total comprehensive income for the period | - | - | - | 53,358,914 | 44,765,822 | 98,124,736 |
| Dividends | - | - | - | - | (40,000,000) | (40,000,000) |
| Transfer to retained earnings on disposal of investments at FVTOCI | - | - | - | 402,303 | (402,303) | - |
| Balance at 30 September 2013 (unaudited) | 100,000,000 | 46,928,103 | 145,000,000 | (42,699,653) | 121,025,789 | 370,254,239 |
| Balance at 1 January 2014 (audited) | 100,000,000 | 50,000,000 | 145,000,000 | (15,632,267) | 122,040,301 | 401,408,034 |
| Profit for the period | - | - | - | - | 58,451,311 | 58,451,311 |
| Other comprehensive income | - | - | - | 38,395,891 | 7,132 | 38,403,023 |
| Total comprehensive income for the period | - | - | - | 38,395,891 | 58,458,443 | 96,854,334 |
| Dividends (note 13) | - | - | - | - | (40,000,000) | (40,000,000) |
| Transfer to retained earnings on disposal of investments at FVTOCI | - | - | - | (523,815) | 523,815 | - |
| Balance at 30 September 2014 (unaudited) | 100,000,000 | 50,000,000 | 145,000,000 | 22,239,809 | 141,022,559 | 458,262,368 |

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

**Condensed statement of cash flows (unaudited)
for the period ended 30 September 2014**

| | Notes | 9 months ended 30 September | |
|---|-------|-----------------------------|--------------------|
| | | 2014 AED | 2013 AED |
| Operating activities | | | |
| Profit for the period | | 58,451,311 | 44,725,159 |
| Adjustments for: | | | |
| Depreciation of property and equipment | | 536,112 | 426,185 |
| Amortisation of intangible assets | | 1,249,227 | 1,051,612 |
| Investment income | | (32,328,126) | (24,290,195) |
| Loss/(gain) on disposal of property and equipment | 17 | 1,298 | (36,578) |
| Net transfer to provision for end of service benefit | | 110,072 | 931,715 |
| Operating cash flows before movements in working capital | | 28,019,894 | 22,807,898 |
| Decrease/(increase) in reinsurance contract assets | | 3,090,408 | (9,406,997) |
| Increase in insurance contract liabilities | | 23,375,694 | 15,138,814 |
| Increase in trade and other receivables | | (17,681,860) | (13,962,830) |
| Increase in prepayments | | (704,265) | (343,433) |
| Increase in trade and other payables | | 48,158 | 6,021,188 |
| Net cash generated from operating activities | | 36,148,029 | 20,254,640 |
| Investing activities | | | |
| Movement in bank deposits with original maturities of greater than three months | | (40,894,182) | 71,000,298 |
| Interest received | | 2,409,776 | 1,980,139 |
| Dividends received | 17 | 8,516,389 | 9,339,627 |
| Net rental proceeds on investment properties | 17 | 2,850,890 | 2,662,543 |
| Proceeds from disposal of investments at FVTOCI | | 1,253,806 | 262,624 |
| Proceeds from disposal of investments at FVTPL | | 68,187,029 | 78,546,202 |
| Proceeds from redemption of investment at amortised cost | | 9,914,400 | - |
| Proceeds from disposal of property and equipment | | 301 | 74,449 |
| Payment of investment expenses | 17 | (381,528) | (321,910) |
| Payments for purchase of property and equipment | | (880,187) | (267,815) |
| Payments for purchase of intangible assets | | (497,769) | (1,178,140) |
| Payments for purchase of investments at FVTPL | | (91,753,916) | (61,716,463) |
| Net cash (used in)/generated from investing activities | | (41,274,991) | 100,381,554 |
| Financing activity | | | |
| Dividends paid | | (40,000,000) | (40,000,000) |
| (Decrease)/increase in cash and cash equivalents | | (45,126,962) | 80,636,194 |
| Cash and cash equivalents at the beginning of the period | | 153,585,141 | 70,242,486 |
| Cash and cash equivalents at the end of period | 12 | 108,458,179 | 150,878,680 |

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

**Notes to the condensed financial statements
for the period ended 30 September 2014**

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 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have been adopted in these condensed financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

| New and revised IFRSs | Summary of requirements |
|---|--|
| Amendments to IAS 32 <i>Financial Instruments: Presentation</i> | The amendments provide guidance on the offsetting of financial assets and financial liabilities. |
| Amendments to IAS 36 <i>Impairment of Assets</i> relating to recoverable amount disclosures for non-financial assets | The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal. |
| Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting</i> | The amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. |
| Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 27 <i>Separate Financial Statements - Guidance on Investment Entities</i> | On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The objective of this project is to develop an exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead requiring the use of the fair value to measure those investments. |
| IFRIC 21 <i>Levies</i> | This Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs. |

**Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

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

The Company has not yet applied 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> |
|---|--|
| Annual improvements 2010-2012 covering amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38 | 1 July 2014 |
| Annual improvements 2011-2013 covering amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40 | 1 July 2014 |
| Amendment to IAS 19 <i>Employee Benefits</i> relating to defined benefit plans and employee contributions | 1 July 2014 |
| Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> relating to sale or contribution of assets between an investor and its associate or joint venture | 1 January 2016 |
| Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operation | 1 January 2016 |
| Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants | 1 January 2016 |
| Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements | 1 January 2016 |
| Amendments to IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| IFRS 14 <i>Regulatory Deferral Accounts</i> | 1 January 2016 |
| IFRS 15 <i>Revenue from Contracts with Customers</i> | 1 January 2017 |

Management anticipates that these amendments will be adopted in the financial statements for the initial period when they become effective. Management has not yet had the opportunity to consider the potential impact of the adoption of these amendments.

2.3 Standards adopted before effective date

During the year 2009, the Company adopted IFRS 9 *Financial Instruments* in advance of its effective date. Refer to note 3 the accounting policies regarding financial instruments.

**Notes to the condensed financial statements
for the period ended 30 September 2014 (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*" 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 methods used in the preparation of these condensed financial statements are consistent with those used in the audited annual financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective 1 January 2014.

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 2014 (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 2014 (continued)**

4 Estimates

The preparation of these condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgments made by management in applying the Company's accounting policies, and the key sources of estimates uncertainty were the same as those were applied to the financial statements as at and for the year ended 31 December 2013.

5 Investment properties

| | Land AED | Abu Dhabi building AED | Al Ain building AED | Total AED |
|---|---------------------|---------------------------------------|------------------------------------|----------------------|
| Fair values as at 1 January 2013 (audited) and 30 September 2014 (unaudited) | 52,935,000 | 24,500,000 | 4,565,000 | 82,000,000 |

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 82 million as at 31 December 2013. The fair value of the Company's investment properties as at 31 December 2013 has been arrived at on the basis of a valuation carried out by The Technical and Loss Adjusting Services Co. LLC, an independent valuer not related to the Company. The Technical and Loss Adjusting Services Co. LLC have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach.

Management believes that the net impact due to the changes to the key assumptions used is not material and accordingly there is no change in the fair value of the investment properties as at 30 September 2014. In estimating the fair value of the properties, the highest and best use of the property is considered as their current use. The inputs used in the valuation are not based on observable market data and thus the valuation techniques were considered to be Level 3 valuation.

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 2013 and 30 September 2014 amounted to AED 45,000,000 and AED 7,935,000, respectively.

The Company occupies three floors of the building for its Head Office in Abu Dhabi with the remaining fourteen floors available for letting to third parties. 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 amortized over useful lives of 6 years.

**Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)**

7 Investments

7.1 Composition of investments

| | 30 September 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|--------------------------------------|--|---|
| Investments at FVTOCI | | |
| Quoted UAE equity securities | 213,605,626 | 176,456,409 |
| Investments at FVTPL | | |
| Investment funds | 134,047,801 | 91,548,315 |
| Investments at amortised cost | | |
| Investment funds | 3,610,000 | 3,610,000 |
| Bonds | - | 9,914,400 |
| | 3,610,000 | 13,524,400 |
| <i>Current</i> | - | 9,914,400 |
| <i>Non-current</i> | 3,610,000 | 3,610,000 |
| | 3,610,000 | 13,524,400 |

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 Investment Trust, which Management has determined to be impaired by AED 14,750,000 as at 30 September 2014 (31 December 2013: AED 14,750,000).

Bonds at amortised cost comprise of five-year investment amounting to US\$ 2.7 million in Aldar Bonds which bears a fixed interest of 10.75% per annum. Interest is payable semi-annually on 14 May and 14 November. These bonds matured during the period.

The geographical distribution of investments is as follows:

| | 30 September 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|-------------|--|---|
| Within UAE | 351,263,427 | 281,529,124 |
| Outside UAE | - | - |
| | 351,263,427 | 281,529,124 |

**Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)**

7 Investments

7.2 Movement in investments

The movement in the investments is as follows:

| | 30 September 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|---|--|---|
| Investments at FVTOCI | | |
| Fair value at start of period/year | 176,456,409 | 96,252,070 |
| Proceeds from disposals during the period/year | (1,253,806) | (262,624) |
| Gain on disposal during the period/year | 7,132 | 40,663 |
| Net increase in fair value | <u>38,395,891</u> | <u>80,426,300</u> |
| Fair value at end of period/year | <u><u>213,605,626</u></u> | <u><u>176,456,409</u></u> |
| Investments at FVTPL | | |
| Fair value at start of period/year | 91,548,315 | 87,472,864 |
| Additions during the period/year | 91,753,916 | 82,293,881 |
| Proceeds from disposals during the period/year | (68,187,029) | (91,354,381) |
| Gain on disposal during the period/year (note 17) | 5,341,150 | 2,309,686 |
| Increase in fair value to profit and loss (note 17) | <u>13,591,449</u> | <u>10,826,265</u> |
| Fair value at end of period/year | <u><u>134,047,801</u></u> | <u><u>91,548,315</u></u> |
| Investments at amortised cost | | |
| Amortised cost at start of period/year | 13,524,400 | 13,524,400 |
| Proceeds from maturity | <u>(9,914,400)</u> | <u>-</u> |
| Amortised cost at end of period/year | <u><u>3,610,000</u></u> | <u><u>13,524,400</u></u> |

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 2013: 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 2014 (continued)**

9 Insurance contract liabilities and reinsurance contract assets

| | 30 September 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|------------------------------------|--|---|
| Insurance liabilities | | |
| Reported claims | 150,887,547 | 138,534,972 |
| Claims incurred but not reported | 8,872,939 | 8,782,990 |
| Unearned premiums | 119,338,568 | 108,405,398 |
| | <u>279,099,054</u> | <u>255,723,360</u> |
| Recoverable from reinsurers | | |
| Reported claims | 74,933,889 | 77,826,137 |
| Claims incurred but not reported | 1,391,103 | 1,894,708 |
| Unearned premiums | 43,438,886 | 43,133,441 |
| | <u>119,763,878</u> | <u>122,854,286</u> |
| Insurance liabilities – net | | |
| Reported claims | 75,953,658 | 60,708,835 |
| Claims incurred but not reported | 7,481,836 | 6,888,282 |
| Unearned premiums | 75,899,682 | 65,271,957 |
| | <u>159,335,176</u> | <u>132,869,074</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 September</u> | | <u>9 months ended 30 September</u> | |
|-----------------------------|---|--------------------|---|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | AED | AED | AED | AED |
| Premiums written | 2,726,125 | 4,196,406 | 9,559,546 | 54,194,687 |
| Claims paid | 6,149,770 | 11,821,765 | 29,158,060 | 31,284,096 |
| Directors' remuneration | 750,000 | 750,000 | 2,250,000 | 2,250,000 |
| Key management remuneration | 1,895,398 | 1,952,550 | 5,787,646 | 5,857,650 |

**Notes to the condensed financial statements
for the period ended 30 September 2014 (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 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|--------------------------------------|--|---|
| Due from external policyholders | 110,704,505 | 79,201,261 |
| Due from related party policyholders | 12,783,741 | 27,324,994 |
| Less: allowance for doubtful debts | (6,992,119) | (7,024,364) |
| | <hr/> | <hr/> |
| Net due from policyholders | 116,496,127 | 99,501,891 |
| Due from insurance companies | 3,583,733 | 4,953,656 |
| Due from reinsurance companies | 4,934,225 | 3,844,939 |
| Interest receivable | 922,088 | 942,814 |
| Other receivables | 1,713,621 | 724,634 |
| | <hr/> | <hr/> |
| | 127,649,794 | 109,967,934 |
| | <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 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|---|--|---|
| Cash on hand | 18,082 | 14,111 |
| Call accounts | 108,440,097 | 153,571,030 |
| Term deposits | 93,093,029 | 52,198,847 |
| | <hr/> | <hr/> |
| Bank balances and cash | 201,551,208 | 205,783,988 |
| Less: deposits with original maturities of greater than three months | (93,093,029) | (52,198,847) |
| | <hr/> | <hr/> |
| Cash and cash equivalents | 108,458,179 | 153,585,141 |
| | <hr/> | <hr/> |

The interest rate on fixed deposits and call accounts with banks ranges between 0.9% and 2.75% (2013: 0.55% and 2.65%) 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 2014 (continued)**

13 Share capital

| | 30 September 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|---|--|---|
| Authorised, issued and fully paid | | |
| 100,000,000 ordinary shares of AED 1 each | 100,000,000 | 100,000,000 |

At the Annual General Meeting held on 18 March 2014, the Shareholders approved a cash dividend of AED 40,000,000.

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 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|---|--|---|
| Due to policy holders | 24,081,419 | 20,142,390 |
| Due to insurance companies | 22,696,785 | 23,616,170 |
| Due to reinsurance companies | 53,708,889 | 46,176,803 |
| Premium reserve withheld | 17,469,123 | 18,588,938 |
| Commissions payable | 17,500,000 | 17,500,000 |
| Deferred income | 3,040,820 | 17,521,792 |
| Directors' remuneration payable (note 10) | 2,250,000 | 3,000,000 |
| Other payables | 9,215,312 | 9,062,972 |
| Dividend payable | 5,694,875 | - |
| | <u>155,657,223</u> | <u>155,609,065</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 2014 (continued)**

17 Net investment and other income

| | 3 months ended 30 September | | 9 months ended 30 September | |
|--|------------------------------------|--------------------|------------------------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | AED | AED | AED | AED |
| Net rental income on: | | | | |
| Gross rental income | 1,254,690 | 1,009,927 | 3,358,977 | 3,172,875 |
| Less: building expenses | (174,735) | (178,504) | (508,087) | (510,332) |
| Net rental income | 1,079,955 | 831,423 | 2,850,890 | 2,662,543 |
| Net interest income on: | | | | |
| Bank deposit | 1,359,170 | 832,356 | 2,634,854 | 3,227,400 |
| Interest paid to reinsurers | (750,634) | 24,141 | (225,078) | (41,787) |
| Net interest income | 608,536 | 856,497 | 2,409,776 | 3,185,613 |
| Net dividend income on investments at: | | | | |
| FVTOCI | 950,957 | 1,201,807 | 6,867,738 | 6,944,534 |
| FVTPL | 603,159 | 973,689 | 1,648,651 | 2,395,093 |
| | 1,554,116 | 2,175,496 | 8,516,389 | 9,339,627 |
| Gain on disposal of investments (note 7.2) | 3,041,590 | 328,060 | 5,341,150 | 3,290,952 |
| Increase in fair value of investments at FVTPL (note 7.2) | 10,574,288 | 3,356,138 | 13,591,449 | 6,133,370 |
| Investment expenses | (185,705) | (175,758) | (381,528) | (321,910) |
| Gain on disposal of property and equipment | (567) | 46,298 | (1,298) | 36,578 |
| Other income | 76,508 | 28,086 | 689,943 | 553,765 |
| | 16,748,721 | 7,446,240 | 33,016,771 | 24,880,538 |

**Notes to the condensed financial statements
for the period ended 30 September 2014 (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> | |
|--|------------------------------------|------------------|------------------------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | AED | AED | AED | AED |
| Staff costs | <u>5,540,783</u> | <u>5,248,560</u> | <u>16,675,026</u> | <u>16,635,545</u> |
| Depreciation of property and equipment | <u>175,381,</u> | <u>140,021</u> | <u>536,112</u> | <u>426,185</u> |
| Amortisation of intangible assets | <u>396,765</u> | <u>584,768</u> | <u>1,249,227</u> | <u>1,051,612</u> |
| Foreign exchange loss | <u>168,088</u> | <u>131,222</u> | <u>9,477</u> | <u>6,964</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 September</u> | | <u>9 months ended 30 September</u> | |
|--|------------------------------------|--------------------|------------------------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Profit for the period (AED) | <u>14,119,551</u> | <u>2,205,043</u> | <u>58,451,311</u> | <u>44,725,159</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>0.14</u> | <u>0.02</u> | <u>0.58</u> | <u>0.45</u> |

As of 30 September 2014 and 2013, 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 2014 (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:

Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)

20 Segment information (continued)

20.1 Segment revenue and results

| | 9 months ended 30 September 2014 (unaudited) | | | 9 months ended 30 September 2013 (unaudited) | | |
|------------------------------|--|--------------------|-------------------|--|--------------------|-------------------|
| | Underwriting AED | Investments AED | Total AED | Underwriting AED | Investments AED | Total AED |
| Direct revenues | 309,401,356 | 19,851,370 | 329,252,726 | 271,356,278 | 19,030,854 | 290,387,132 |
| Direct costs | (257,402,744) | (1,114,693) | (258,517,437) | (225,972,472) | (874,029) | (226,846,501) |
| Administrative expenses | (18,904,486) | - | (18,904,486) | (18,423,516) | - | (18,423,516) |
| Depreciation expense | (536,112) | - | (536,112) | (426,185) | - | (426,185) |
| Amortisation expense | (1,249,227) | - | (1,249,227) | (1,051,612) | - | (1,051,612) |
| Other expenses | (5,874,247) | - | (5,874,247) | (5,637,872) | - | (5,637,872) |
| Non-cash investment gains | - | 13,591,449 | 13,591,449 | - | 6,133,370 | 6,133,370 |
| Segment profit | 25,434,540 | 32,328,126 | 57,762,666 | 19,844,621 | 24,290,195 | 44,134,816 |
| Other income | - | - | 688,645 | - | - | 590,343 |
| Profit for the period | 25,434,540 | 32,328,126 | 58,451,311 | 19,844,621 | 24,290,195 | 44,725,159 |

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 2014 and 2013.

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

Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)

20 Segment information (continued)

20.2 Segment assets and liabilities

| | As at 30 September 2014 (unaudited) | | | As at 31 December 2013 (audited) | | |
|----------------------------|-------------------------------------|--------------------|--------------------|----------------------------------|--------------------|--------------------|
| | Underwriting AED | Investments AED | Total AED | Underwriting AED | Investments AED | Total AED |
| Segment assets | 255,637,261 | 536,356,457 | 791,993,718 | 240,750,525 | 425,727,972 | 666,478,497 |
| Unallocated assets | - | - | 108,458,178 | - | - | 153,585,141 |
| Total assets | 255,637,261 | 536,356,457 | 900,451,896 | 240,750,525 | 425,727,972 | 820,063,638 |
| Segment liabilities | 432,541,719 | 1,702,934 | 434,244,653 | 410,040,966 | 1,428,353 | 411,469,319 |
| Unallocated liabilities | - | - | 7,944,875 | - | - | 7,186,287 |
| Total liabilities | 432,541,719 | 1,702,934 | 442,189,528 | 410,040,966 | 1,428,353 | 418,655,606 |
| Capital expenditure | 1,377,956 | - | 1,377,956 | 1,883,980 | - | 1,883,980 |

**Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)**

21 Seasonality of results

No income of seasonal nature was recorded in the statement of profit or loss for the nine-month period ended 30 September 2014 and 2013.

22 Fair value of financial instruments

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable.

- **Level 1** – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3** – fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
|---|--------------------|----------------|--------------------|--------------------|
| <u>30 September 2014 (unaudited)</u> | | | | |
| <i>Investments at FVTOCI</i> | 213,605,626 | - | - | 213,605,626 |
| <i>Investments at FVTPL</i> | - | - | 134,047,801 | 134,047,801 |
| | <u>213,605,626</u> | <u>-</u> | <u>134,047,801</u> | <u>347,653,427</u> |
| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
| <u>31 December 2013 (audited)</u> | | | | |
| <i>Investments at FVTOCI</i> | 176,456,409 | - | - | 176,456,409 |
| <i>Investments at FVTPL</i> | - | - | 91,548,315 | 91,548,315 |
| | <u>176,456,409</u> | <u>-</u> | <u>91,548,315</u> | <u>268,004,724</u> |

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

**Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)**

22 Fair value of financial instruments (continued)

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the period:

| | 30 September 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|--|--|---|
| Opening balance | 91,548,315 | 76,418,064 |
| Investments purchased during the period/year | 91,753,916 | 82,293,881 |
| Investments disposed during the period/year | (68,187,029) | (77,989,895) |
| Net change in fair value | 13,591,449 | 10,826,265 |
| Gain on disposal of investments | 5,341,150 | - |
| Closing balance | <u>134,047,801</u> | <u>91,548,315</u> |

Set out below is a comparison of the carrying amount and fair values of financial instruments which are not carried at fair value as at 30 September 2014:

| | 30 September 2014 (unaudited) | | 31 December 2013 (audited) | |
|---------------------------------|--|------------------------------------|---------------------------------------|------------------------------------|
| | Fair value AED | Carrying amount AED | Fair value AED | Carrying amount AED |
| Financial assets | | | | |
| Statutory deposit | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Investments at amortised cost | 3,610,000 | 3,610,000 | 13,524,400 | 13,524,400 |
| Insurance and other receivables | 127,649,794 | 127,649,794 | 109,967,934 | 109,967,934 |
| Bank and cash | 201,551,208 | 201,551,208 | 205,783,988 | 205,783,988 |
| | <u>342,811,002</u> | <u>342,811,002</u> | <u>339,276,322</u> | <u>339,276,322</u> |
| Financial liabilities | | | | |
| Insurance and other payables | 155,657,223 | 155,657,223 | 155,609,065 | 155,609,065 |

**Notes to the condensed financial statements
for the period ended 30 September 2014 (continued)**

23 Contingent liabilities

| | 30 September 2014 (unaudited) AED | 31 December 2013 (audited) AED |
|-----------------|--|---|
| Bank guarantees | 11,842,754 | 12,027,442 |

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

24 Approval of interim condensed financial statements

The interim condensed financial statements were approved and authorised for issue by the Board of Directors on 4 November 2014.