

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

**Review report and interim
financial information for the
period ended 30 June 2015**

AL DHAFRA INSURANCE COMPANY P.S.C.

**Review report and interim financial information
for the period ended 30 June 2015**

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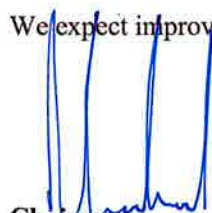
**The Board of Director's Report
for the period ended 30 June 2015**

The Board of Directors takes great pleasure in presenting the unaudited results for the first half of 2015.

As noted below, net underwriting income decreased by 26.41% and profit has decreased by 19.96% as compared to the same period in the prior year.

Particulars	6 months ended 30 June		Variance %
	2015	2014	
	(unaudited)	(unaudited)	
	AED	AED	
<u>Condensed statement of profit or loss</u>			
Gross written premium	239,800,122	203,626,185	17.76%
Net underwriting income	33,493,255	45,512,995	-26.41%
Administrative and other operating expenses	(17,173,072)	(17,449,285)	-1.58%
Net investment and other income	19,162,978	16,268,050	17.80%
Profit for the period	35,483,161	44,331,760	-19.96%
Basic and diluted earnings per share (AED)	0.35	0.44	
<u>Condensed statement of financial position</u>			
Shareholders' equity	412,715,029	405,804,073	1.70%
Total assets	932,303,101	855,319,940	9.00%

We expect improvement in the overall investment segment results in the current year compared to 2014.



Chairman

05 August 2015



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 2015 and the related condensed statements of profit or loss, other 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.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
05 August 2015

**Condensed statement of financial position
as at 30 June 2015**

	Notes	30 June 2015 (unaudited) AED	31 December 2014 (audited) AED
ASSETS			
Non-current assets			
Property and equipment		1,715,832	1,521,170
Investment properties	5	82,000,000	82,000,000
Intangible assets	6	3,509,305	3,794,279
Investments designated at fair value through other comprehensive income (FVTOCI)	7	188,820,565	177,392,770
Investments at amortised cost	7	6,580,278	3,610,000
Statutory deposit	8	10,000,000	10,000,000
Total non-current assets		292,625,980	278,318,219
Current assets			
Investments designated at fair value through profit or loss (FVTPL)	7	109,375,399	116,066,116
Reinsurance contract assets	9	128,214,464	118,786,649
Trade and other receivables	11	181,797,453	118,834,349
Prepayments		2,280,673	2,450,704
Bank and cash balances	19	218,009,132	220,863,903
Total current assets		639,677,121	577,001,721
Total assets		932,303,101	855,319,940
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	12	100,000,000	100,000,000
Legal reserve	13	50,000,000	50,000,000
General reserve	14	145,000,000	145,000,000
Investment revaluation reserve		(2,723,251)	(14,151,046)
Retained earnings		120,438,280	124,955,119
Total shareholders' equity		412,715,029	405,804,073
Non-current liability			
Provision for end of service benefit		7,344,343	7,462,006
Current liabilities			
Insurance contract liabilities	9	335,860,846	281,741,774
Trade and other payables	15	176,382,883	160,312,087
Total current liabilities		512,243,729	442,053,861
Total liabilities		519,588,072	449,515,867
Total equity and liabilities		932,303,101	855,319,940



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 June 2015

	Notes	3 months ended 30 June		6 months ended 30 June	
		2015 AED	2014 AED	2015 AED	2014 AED
Gross written premium		93,102,473	92,065,348	239,800,122	203,626,185
Change in unearned premium provision		783,894	(9,785,227)	(17,562,504)	(1,374,610)
Premium income earned		93,886,367	82,280,121	222,237,618	202,251,575
Reinsurance premium ceded		(32,676,874)	(26,412,003)	(74,680,069)	(73,000,455)
Change in unearned premium provision		2,089,486	(4,287,224)	138,724	305,261
Reinsurance ceded		(30,587,388)	(30,699,227)	(74,541,345)	(72,695,194)
Net premium earned		63,298,979	51,580,894	147,696,273	129,556,381
Net claims incurred		(63,735,016)	(42,630,555)	(122,718,326)	(86,474,417)
Gross commission earned		10,186,758	6,789,642	19,934,576	12,025,504
Less: commission incurred		(6,316,249)	(4,749,244)	(11,419,268)	(9,594,473)
Net commission earned		3,870,509	2,040,398	8,515,308	2,431,031
Net underwriting income		3,434,472	10,990,737	33,493,255	45,512,995
Administrative expenses		(7,082,566)	(6,181,555)	(13,365,130)	(12,283,427)
Other operating expenses		(1,785,980)	(2,589,741)	(3,807,942)	(5,165,858)
Net investment and other income	16	12,527,049	4,611,720	19,162,978	16,268,050
Profit for the period	17	7,092,975	6,831,161	35,483,161	44,331,760
Basic and diluted earnings per ordinary share	18	0.07	0.07	0.35	0.44

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

**Condensed statement of comprehensive income (unaudited)
for the period ended 30 June 2015**

	3 months ended 30 June		6 months ended 30 June	
	2015	2014	2015	2014
	AED	AED	AED	AED
Profit for the period	7,092,975	6,831,161	35,483,161	44,331,760
Other comprehensive income/(loss):				
<i><u>Items not to be reclassified to profit or loss</u></i>				
<i><u>in subsequent period:</u></i>				
Gain on disposal of investments at FVTOCI	-	58,362	-	7,132
Net fair value gain/(loss) on investments at FVTOCI (note 7.2)	2,863,065	(17,032,494)	11,427,795	8,120,249
Total other comprehensive income/(loss) for the period	2,863,065	(16,974,132)	11,427,795	8,127,381
Total comprehensive income/(loss) for the period	9,956,040	(10,142,971)	46,910,956	52,459,141

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

**Condensed statement of changes in equity
for the period ended 30 June 2015**

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
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	-	-	-	-	44,331,760	44,331,760
Other comprehensive income	-	-	-	8,120,249	7,132	8,127,381
Total comprehensive income for the period	-	-	-	8,120,249	44,338,892	52,459,141
Dividends (note 12)	-	-	-	-	(40,000,000)	(40,000,000)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	(523,815)	523,815	-
Balance at 30 June 2014 (unaudited)	100,000,000	50,000,000	145,000,000	(8,035,833)	126,903,008	413,867,175
Balance at 1 January 2015 (audited)	100,000,000	50,000,000	145,000,000	(14,151,046)	124,955,119	405,804,073
Profit for the period	-	-	-	-	35,483,161	35,483,161
Other comprehensive income	-	-	-	11,427,795	-	11,427,795
Total comprehensive income for the period	-	-	-	11,427,795	35,483,161	46,910,956
Dividends (note 12)	-	-	-	-	(40,000,000)	(40,000,000)
Balance at 30 June 2015 (unaudited)	100,000,000	50,000,000	145,000,000	(2,723,251)	120,438,280	412,715,029

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

**Condensed statement of cash flows (unaudited)
for the period ended 30 June 2015**

	Notes	6 months ended 30 June	
		2015	2014
		AED	AED
Operating activities			
Profit for the period		35,483,161	44,331,760
Adjustments for:			
Depreciation of property and equipment		385,341	360,731
Amortisation of intangible assets		757,261	852,462
Investment income		(18,952,322)	(15,655,346)
(Gain)/loss on disposal of property and equipment	16	(23,589)	731
Net transfer to provision for end of service benefit		(117,663)	(18,850)
Operating cash flows before movements in working capital		17,532,189	29,871,488
Increase in reinsurance contract assets		(9,427,815)	(375,218)
Increase in insurance contract liabilities		54,119,072	9,551,671
Increase in trade and other receivables		(62,562,761)	(9,367,957)
Decrease/(increase) in prepayments		170,031	(379,644)
Increase/(decrease) in trade and other payables		16,070,797	(4,177,974)
Net cash generated from operating activities		15,901,513	25,122,366
Investing activities			
Movement in bank deposits with original maturities of greater than three months		(120,454,827)	(20,729,183)
Interest received		1,646,813	1,669,977
Dividends received	16	8,373,080	6,962,186
Net rental income on investment properties	16	2,086,023	1,770,935
Proceeds from disposal of property and equipment		23,950	-
Payments for purchase of property and equipment		(580,364)	(723,578)
Payments for purchase of intangible assets		(472,287)	(293,378)
Proceeds from disposal of investment at FVTOCI		-	1,253,806
Payments for purchase of investment at FVTPL	7.2	(75,007,167)	(85,002,018)
Proceeds from disposal of investment at FVTPL	7.2	85,616,406	54,354,494
Payment of investment expenses		(442,737)	(195,823)
Proceeds from disposal of financial assets at amortised cost		-	9,914,400
Net cash used in investing activities		(99,211,110)	(31,018,182)
Financing activities			
Dividends paid		(40,000,000)	(40,000,000)
Decrease in cash and cash equivalents		(123,309,597)	(45,895,816)
Cash and cash equivalents at the beginning of the period		159,704,647	153,585,141
Cash and cash equivalents at the end of period	19	36,395,050	107,689,325

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

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 condensed financial statements

In the current period, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Company’s future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 *Employee Benefits* clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

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

2.2 New and revised IFRSs in issue but not yet effective

As of the date of authorisation of these condensed financial statements, the following new and revised 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 to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 July 2016
Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	1 January 2016
Amendments to IFRS 11 to clarify accounting for acquisitions of <i>Interests in Joint Operations</i> .	1 January 2016
Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016
Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Additional Hedge Accounting Disclosures</i> (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs

**Effective for annual periods
beginning on or after**

IFRS 9 *Financial Instruments* (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

1 January 2018

IFRS 9 *Financial Instruments* (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.

Finalised version of IFRS 9 (IFRS 9 *Financial Instruments* (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.

IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets; (2) the classification and measurement requirements for both financial assets and financial liabilities; (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015.

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

2 New and revised International Financial reporting Standards (IFRSs) in issue but not yet effective (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs

**Effective for annual periods
beginning on or after**

IFRS 15 Revenue from Contracts with Customers

1 January 2017

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 (2014) and IFRS 15, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 (2014) will be adopted in the Company's financial statements for the annual periods beginning 1 January 2017 and 1 January 2018 respectively. The application of IFRS 15 (2014) and IFRS 9 may have significant impact on amounts reported and disclosures made in the financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

2 New and revised International Financial reporting Standards (IFRSs) in issue but not yet effective (continued)

2.3 Standards adopted before effective date

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

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 2014, except for the adoption of new standards and interpretations effective 1 January 2015.

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.

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Investment in securities (continued)

3.3.1 Investments at amortised cost (continued)

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.

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

Debt instrument financial assets that do not meet the amortised cost criteria described in note 3.3.1, or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Company has not designated a debt instrument financial asset as at FVTPL.

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

Investments in equity instruments are mandatorily classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition as described in note 3.3.3 below.

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

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

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

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

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Investment in securities (continued)

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

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

4 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 2014.

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

5 Investment properties

	Land AED	Abu Dhabi building AED	Al Ain building AED	Total AED
Fair values as at 31 December 2014 (audited) and 30 June 2015 (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, an independent valuer not related to the Company, who have determined the fair values of the land and buildings to be AED 82 million as at 31 December 2014. 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 June 2015. In estimating the fair value of the properties, the highest and best use of the property is considered as their current use. Investment properties as at 30 June 2015 and 31 December 2014 have been classified under Level 3 fair value measurement.

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 30 June 2015 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 June 2015 (continued)**

7 Investments

7.1 Composition of investments

	30 June 2015 (unaudited) AED	31 December 2014 (audited) AED
Investments at FVTOCI		
Quoted UAE equity securities	188,820,565	177,392,770
Investments at FVTPL		
Investment funds	109,375,399	116,066,116
Investments at amortised cost – non-current		
Investment funds	6,580,278	3,610,000

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 11,779,722 as at 30 June 2015 (31 December 2014: AED 14,750,000).

The geographical distribution of investments is as follows:

	30 June 2015 (unaudited) AED	31 December 2014 (audited) AED
Within UAE	304,776,242	297,068,886

7.2 Movement in investments

The movement in the investments is as follows:

	30 June 2015 (unaudited) AED	31 December 2014 (audited) AED
Investments at FVTOCI		
Fair value at start of period/year	177,392,770	176,456,409
Additions during the period/year	-	177,999
Proceeds from disposals during the period/year	-	(1,253,806)
Gain on disposal during the period/year	-	7,132
Net increase in fair value taken to other comprehensive income	11,427,795	2,005,036
Fair value at end of period/year	188,820,565	177,392,770

7 Investments (continued)

7.2 Movement in investments (continued)

8 Statutory deposit

In accordance with the requirements of Federal Law No.6/2007, concerning the formation of Insurance Authority of UAE, the Company maintains a bank deposit of AED 10,000,000 (31 December 2014: AED 10,000,000) which cannot be utilised without the consent of the UAE Insurance Authority.

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

9 Insurance contract liabilities and reinsurance contract assets

	30 June 2015 (unaudited) AED	31 December 2014 (audited) AED
Insurance liabilities – Gross		
Reported claims	173,078,379	143,761,619
Claims incurred but not reported	10,361,397	3,121,589
Unearned premiums	152,421,070	134,858,566
	<u>335,860,846</u>	<u>281,741,774</u>
Recoverable from reinsurers		
Reported claims	85,269,845	77,332,135
Claims incurred but not reported	1,872,061	520,680
Unearned premiums	41,072,558	40,933,834
	<u>128,214,464</u>	<u>118,786,649</u>
Insurance liabilities – Net		
Reported claims	87,808,534	66,429,484
Claims incurred but not reported	8,489,336	2,600,909
Unearned premiums	111,348,512	93,924,732
	<u>207,646,382</u>	<u>162,955,125</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>	<u>3 months ended 30 June</u>	<u>6 months ended 30 June</u>
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED
Premiums written	<u>3,102,284</u>	<u>1,850,628</u>	<u>50,997,502</u>	<u>6,833,421</u>
Claims paid	<u>-</u>	<u>8,540,285</u>	<u>2,751,258</u>	<u>23,008,290</u>
Directors' remuneration	<u>-</u>	<u>750,000</u>	<u>-</u>	<u>1,500,000</u>
Key management remuneration	<u>2,297,606</u>	<u>1,927,398</u>	<u>4,371,723</u>	<u>3,892,248</u>

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

10 Related parties (continued)

Balances with related as at the end of the reporting period are as follows:

	30 June 2015 (unaudited) AED	31 December 2014 (audited) AED
Due from related party policyholders (note 11)	48,373,870	11,896,303

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 June 2015 (unaudited) AED	31 December 2014 (audited) AED
Due from external policyholders	118,019,372	101,610,924
Due from related party policyholders (note 10)	48,373,870	11,896,303
Less: allowance for doubtful debts	(6,957,479)	(6,992,119)
Net due from policyholders	159,435,763	106,515,108
Due from insurance companies	5,455,412	4,798,707
Due from reinsurance companies	9,852,176	5,938,802
Interest receivable	1,265,494	865,151
Other receivables	5,788,608	716,581
	181,797,453	118,834,349

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 Share capital

	30 June 2015 (unaudited) AED	31 December 2014 (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 10 March 2015, the Shareholders approved a cash dividend of AED 40,000,000. At the Annual General Meeting held on 18 March 2014, the Shareholders approved a cash dividend of AED 40,000,000.

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

13 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 is 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. This reserve is not available for dividend distribution.

14 General reserve

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

15 Trade and other payables

	30 June 2015 (unaudited) AED	31 December 2014 (audited) AED
Due to policy holders	28,697,059	26,471,944
Due to insurance companies	26,615,712	24,187,293
Due to reinsurance companies	65,401,867	49,856,084
Premium reserve withheld	23,041,625	15,794,896
Commissions payable	17,500,000	17,500,000
Deferred income	2,586,774	10,822,473
Directors' remuneration payable	-	3,000,000
Other payables	12,539,846	12,679,397
	176,382,883	160,312,087

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 the credit time frame.

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

16 Net investment and other income

	3 months ended 30		6 months ended 30	
	June		June	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED
Net rental income on:				
Gross rental income	1,130,401	1,074,767	2,344,960	2,104,287
Less: building expenses	(142,894)	(216,353)	(258,937)	(333,352)
Net rental income	987,507	858,414	2,086,023	1,770,935
Net interest income on:				
Bank deposits	1,439,329	102,369	2,047,156	1,275,684
Investments at amortised cost	-	525,556	-	525,556
Net interest income	1,439,329	627,925	2,047,156	1,801,240
Dividend income on:				
Investments at FVTOCI	4,758,860	5,774,575	7,881,067	5,916,781
Investments at FVTPL	274,219	913,302	492,013	1,045,492
Dividend income	5,033,079	6,687,877	8,373,080	6,962,273
Reversal of impairment of investment in amortised cost	-	-	2,970,278	-
Gain/(loss) on disposal of investments (note 7.2)	(495,750)	2,055,176	(2,450,685)	2,299,560
Increase/(decrease) in fair value of investments at FVTPL (note 7.2)	5,806,652	(6,062,643)	6,369,207	3,017,161
Investment expenses	(330,212)	(93,824)	(442,737)	(195,823)
(Loss)/gain on disposal of property and equipment	-	(162)	23,589	(731)
Other income	86,444	538,957	187,067	613,435
	12,527,049	4,611,720	19,162,978	16,268,050

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

17 Profit for the period

Profit for the period is stated after charging:

	3 months ended 30 June		6 months ended 30 June	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED
Staff costs	5,939,022	5,476,830	11,596,266	11,134,243
Depreciation of property and equipment	201,599	179,016	385,341	360,731
Amortisation of intangible assets	375,857	418,497	757,261	852,462
Foreign exchange loss/(gain)	5,182	(166,785)	6,998	(158,611)

18 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:

	3 months ended 30 June		6 months ended 30 June	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period (AED)	7,092,975	6,831,161	35,483,161	44,331,760
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)	0.07	0.07	0.35	0.44

As of 30 June 2015 and 2014, 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 2015 (continued)**

19 Cash and cash equivalents

	30 June 2015 (unaudited) AED	30 June 2014 (unaudited) AED
Cash on hand	16,459	16,110
Call accounts	36,378,591	107,673,215
Term deposits	181,614,082	72,928,029
	<hr/>	<hr/>
Bank balances and cash	218,009,132	180,617,354
Less: deposits with original maturities of greater than three months	(181,614,082)	(72,928,029)
	<hr/>	<hr/>
Cash and cash equivalents	36,395,050	107,689,325
	<hr/>	<hr/>

The interest rate on fixed deposits and call accounts with banks ranges between 0.55% and 2.75% (2014: 0.91% and 2.25%) per annum. All cash and cash equivalents are held in local banks in the United Arab Emirates.

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.

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

20 Segment information (continued)

20.1 Segment revenue and results

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

	6 months ended 30 June 2015 (unaudited)			6 months ended 30 June 2014 (unaudited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	259,734,698	10,168,544	269,903,242	215,651,689	13,310,636	228,962,325
Direct costs	(226,241,443)	(839,867)	(227,081,310)	(170,138,694)	(661,337)	(170,800,031)
Administrative expenses	(13,365,130)	-	(13,365,130)	(12,283,427)	-	(12,283,427)
Depreciation expense	(385,341)	-	(385,341)	(360,731)	-	(360,731)
Amortisation expense	(757,261)	-	(757,261)	(852,462)	-	(852,462)
Other expenses	(2,665,340)	-	(2,665,340)	(3,952,665)	-	(3,952,665)
Non-cash investment loss/gain	-	9,623,645	9,623,645	-	3,017,161	3,017,161
Segment profit	16,320,183	18,952,322	35,272,505	28,063,710	15,666,460	43,730,170
Other income	-	-	210,656	-	-	601,590
Profit for the period	16,320,183	18,952,322	35,483,161	28,063,710	15,666,460	44,331,760

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 2015 and 2014.

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

Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)

20 Segment information (continued)

20.2 Segment assets and liabilities

	As at 30 June 2015 (unaudited)			As at 31 December 2014 (audited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets						
Unallocated assets	317,517,727	578,390,323	895,908,050	245,387,151	450,228,141	695,615,292
	-	-	36,395,051	-	-	159,704,648
Total assets	317,517,727	578,390,323	932,303,101	245,387,151	450,228,141	855,319,940
Segment liabilities						
Unallocated liabilities	510,750,378	1,954,010	512,704,388	439,515,848	1,410,444	440,926,292
	-	-	6,883,684	-	-	8,589,575
Total liabilities	510,750,378	1,954,010	519,588,072	439,515,848	1,410,444	449,515,867
Capital expenditure	1,052,651	-	1,052,651	1,740,647	-	1,740,647

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

21 Seasonality of results

No income of seasonal nature was recorded in the statement of profit or loss for the six-month period ended 30 June 2015 and 2014.

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
30 June 2015 (unaudited)				
<i>Investments at FVTOCI</i>	188,820,565	-	-	188,820,565
<i>Investments at FVTPL</i>	30,240,271	-	79,135,128	109,375,399
	<u>219,060,836</u>	<u>-</u>	<u>79,135,128</u>	<u>298,195,964</u>
	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2014 (audited)				
<i>Investments at FVTOCI</i>	177,392,770	-	-	177,392,770
<i>Investments at FVTPL</i>	27,932,806	-	88,133,310	116,066,116
	<u>205,325,576</u>	<u>-</u>	<u>88,133,310</u>	<u>293,458,886</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 June 2015 (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 June 2015 (unaudited) AED	31 December 2014 (audited) AED
Opening balance	88,133,310	91,548,315
Investments purchased during the period/year	66,714,330	59,352,646
Investments disposed during the period/year	(80,189,972)	(65,282,990)
Net change in fair value	4,477,460	2,515,339
Closing balance	79,135,128	88,133,310

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 June 2015 and 31 December 2014:

	30 June 2015 (unaudited)		31 December 2014 (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	6,580,278	6,580,278	3,610,000	3,610,000
Reinsurance contract assets	128,214,464	128,214,464	118,786,649	118,786,649
Insurance and other receivables	181,797,453	181,797,453	118,834,349	118,834,349
Bank and cash balances	218,009,132	218,009,132	220,863,903	220,863,903
	544,601,327	544,601,327	472,094,901	472,094,901
Financial liabilities				
Insurance contract liabilities	335,860,846	335,860,846	281,741,774	281,741,774
Insurance and other payables	176,382,883	176,382,883	160,312,087	160,312,087
	512,243,729	512,243,729	442,053,861	442,053,861

**Notes to the condensed financial statements
for the period ended 30 June 2015 (continued)**

23 Contingent liabilities

	30 June 2015 (unaudited) AED	31 December 2014 (audited) AED
Bank guarantees	13,421,209	12,855,959

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 05 August 2015.