

**ARABIAN SCANDINAVIAN INSURANCE
COMPANY P.L.C.
DUBAI - UNITED ARAB EMIRATES**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Arabian Scandinavian Insurance Company P.L.C.
Dubai - United Arab Emirates**

**Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2008**

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Ref: 32608FS08-December

Independent Auditor's Report

The Shareholders
Arabian Scandinavian Insurance Company P.L.C.
Dubai
United Arab Emirates

Report on the Financial Statements

We have audited the accompanying financial statements of **Arabian Scandinavian Insurance Company P.L.C., Dubai, United Arab Emirates**, which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)*Opinion*

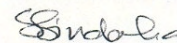
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Arabian Scandinavian Insurance Company P.L.C. - Dubai, United Arab Emirates**, as of December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account. The information contained in the directors' report relating to the financial statements is in agreement with the books. We obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, and of the U.A.E. Federal Law No. 9 of 1984, as amended concerning Insurance Companies and Agents, or the Company's Articles of Association which might have materially affected the financial position of the Company or its financial performance.

Sharjah
February 17, 2009

For Deloitte & Touche



Saba Y. Sindaha
Partner
(Registration No. 410)

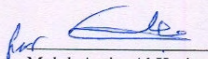
**Arabian Scandinavian Insurance Company P.L.C.
Dubai - United Arab Emirates**

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**Balance Sheet
At December 31, 2008
(In Arab Emirates Dirhams)**

	Notes	December 31, 2008	December 31, 2007
ASSETS			
Non-current assets			
Property and equipment	5	28,975,199	9,151,820
Investment property	6	169,500,000	169,500,000
Available-for-sale investments	7	38,038,335	115,664,080
Total non-current assets		236,513,534	294,315,900
Current assets			
Re-insurance contract assets	8	11,830,309	13,126,218
Insurance and other receivables	9	21,224,145	17,481,031
Due from related parties	10	8,704,251	8,491,529
Investments held for trading	7	25,670,420	26,403,643
Bank balances and cash	11	14,162,112	72,374,789
Total current assets		81,591,237	137,877,210
Total Assets		318,104,771	432,193,110
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	140,000,000	140,000,000
Statutory reserve		40,759,753	40,759,753
General reserve		32,869,553	32,869,553
Cumulative change in fair values		(27,342,414)	1,950,668
Retained earnings		44,193,498	142,948,995
Total Equity		230,480,390	358,528,969
Non-current liabilities			
Provision for employees' end of service indemnity	13	1,279,184	1,147,736
Current liabilities			
Insurance contract liabilities	8	49,613,471	42,954,583
Insurance and other payables	14	36,731,726	28,211,393
Due to related parties	10	-	1,350,429
Total current liabilities		86,345,197	72,516,405
Total Liabilities		87,624,381	73,664,141
Total Equity and Liabilities		318,104,771	432,193,110

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


Mohd. Amin. Al Kazim
Vice Chairman


Ahmad M. A. Al Kazim
Managing Director

Income Statement
For the year ended December 31, 2008
(In Arab Emirates Dirhams)

	<u>Notes</u>	<u>Year ended December 31, 2008</u>	<u>Year ended December 31, 2007</u>
Insurance premium revenue	15	66,436,357	55,169,556
Insurance premium ceded to re-insurers	15	(18,832,233)	(16,064,702)
Net insurance premium revenue	15	<u>47,604,124</u>	<u>39,104,854</u>
Gross claims incurred	8	(31,992,382)	(24,581,502)
Insurance claims recovered from re-insurers	8	<u>10,235,658</u>	<u>8,538,860</u>
Net claims incurred	8	(<u>21,756,724</u>)	(<u>16,042,642</u>)
Gross commission earned		5,103,393	3,953,252
Less: commission incurred		(<u>5,694,277</u>)	(<u>4,058,134</u>)
Net commission incurred		(<u>590,884</u>)	(<u>104,882</u>)
Underwriting profit		25,256,516	22,957,330
General and administrative expenses relating to underwriting activities		(<u>11,370,857</u>)	(<u>9,710,487</u>)
Net underwriting profit		13,885,659	13,246,843
Investment (loss)/income	16	(77,961,236)	69,868,606
Other income		<u>1,020,080</u>	<u>1,855,387</u>
(Loss)/profit for the year	17	(<u>63,055,497</u>)	<u>84,970,836</u>
Basic earnings per share	18	(<u>0.45</u>)	<u>0.61</u>

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

Arabian Scandinavian Insurance Company P.L.C.
Dubai - United Arab Emirates

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Statement of Changes in Equity
For the year ended December 31, 2008
(In Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Cumulative change in fair values</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at December 31, 2006	<u>140,000,000</u>	<u>32,262,669</u>	<u>24,372,469</u>	<u>(6,927,477)</u>	<u>75,532,327</u>	<u>265,239,988</u>
Gain on available-for-sale investments recognised directly in equity	-	-	-	1,950,668	-	1,950,668
Transfer to profit or loss on sale of available-for-sale investments	-	-	-	6,927,477	-	6,927,477
Profit for the year	-	-	-	-	84,970,836	84,970,836
Total recognised income and expense for the year	-	-	-	8,878,145	84,970,836	93,848,981
Board of directors' remuneration paid	-	-	-	-	(560,000)	(560,000)
Transfer to statutory reserve	-	8,497,084	-	-	(8,497,084)	-
Transfer to general reserve	-	-	8,497,084	-	(8,497,084)	-
	-	8,497,084	8,497,084	-	(17,554,168)	(560,000)
Balance at December 31, 2007	<u>140,000,000</u>	<u>40,759,753</u>	<u>32,869,553</u>	<u>1,950,668</u>	<u>142,948,995</u>	<u>358,528,969</u>
Loss on available-for-sale investments recognised directly in equity	-	-	-	(28,352,216)	-	(28,352,216)
Transfer to profit or loss on sale of available-for-sale investments	-	-	-	(940,866)	-	(940,866)
Loss for the year	-	-	-	-	(63,055,497)	(63,055,497)
Total recognised income and expense for the year	-	-	-	(29,293,082)	(63,055,497)	(92,348,579)
Board of directors' remuneration paid	-	-	-	-	(700,000)	(700,000)
Dividend paid	-	-	-	-	(35,000,000)	(35,000,000)
	-	-	-	-	(35,700,000)	(35,700,000)
Balance at December 31, 2008	<u>140,000,000</u>	<u>40,759,753</u>	<u>32,869,553</u>	<u>(27,342,414)</u>	<u>44,193,498</u>	<u>230,480,390</u>

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

Cash Flow Statement
For the year ended December 31, 2008
(In Arab Emirates Dirhams)

	Year ended December 31, 2008	Year ended December 31, 2007
Operating activities		
(Loss)/profit for the year	(63,055,497)	84,970,836
Adjustments for:		
Decrease in reinsurance contract assets	1,295,909	3,046,646
Increase/(decrease) in insurance contract liabilities	6,658,888	(1,446,349)
Depreciation of property and equipment	171,593	180,901
Gain on disposal of property and equipment	-	(145,354)
Provision for employees' end of service indemnity	149,960	317,726
Loss/(income) on investments held for trading	61,564,742	(20,411,891)
Impairment loss on available-for-sale investments	37,858,555	-
Income on available-for-sale investments	(1,873,440)	(8,501,138)
Other investment income	(19,588,621)	(17,441,839)
Increase in fair value of investment property	-	(23,513,738)
Gain on sale of investment property	-	(382,249)
Operating profit before changes in working capital	23,182,089	16,673,551
Increase in insurance and other receivables	(3,743,114)	(17,913)
Increase in due from related parties	(212,722)	(2,053,857)
Increase/(decrease) in insurance and other payables	8,520,333	(571,319)
Decrease in due to related parties	(1,350,429)	(669,059)
Cash generated from operations	26,396,157	13,361,403
Employees' end of service indemnity paid	(18,512)	(83,432)
Net cash generated from operating activities	26,377,645	13,277,971
Investing activities		
Purchase of property and equipment	(19,994,972)	(13,105,362)
Proceeds from sale of property and equipment	-	230,000
Proceeds from sale of investment property	-	22,382,249
Purchase of investments held for trading	(141,044,292)	(283,985,707)
Purchase of available-for-sale investments	(44,280,543)	(195,875,423)
Proceeds from disposal of investments held for trading	80,212,773	343,326,453
Proceeds from disposal of available-for-sale investments	56,628,091	162,325,083
Investment property income	16,850,132	15,099,391
Dividend received	2,738,489	2,342,448
Net cash (used in)/generated from investing activities	(48,890,322)	52,739,132
Finance activities		
Decrease in bank overdrafts	-	(5,372,304)
Dividend paid	(35,000,000)	-
Board of directors' remuneration paid	(700,000)	(560,000)
Net cash used in financing activities	(35,700,000)	(5,932,304)
Net (decrease)/increase in cash and cash equivalents	(58,212,677)	60,084,799
Cash and cash equivalents at the beginning of the year	63,874,789	3,789,990
Cash and cash equivalents at the end of the year (see Note 19)	5,662,112	63,874,789
	=====	=====

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

Notes to the Financial Statements
For the year ended December 31, 2008

1. General information

Arabian Scandinavian Insurance Company P.L.C. - Dubai (the "Company") is a public shareholding company, registered in the United Arab Emirates in 1992. The Company is subject to the regulations of U.A.E. Federal Law No. 9 of 1984, as amended, concerning Insurance Companies and Agents and is registered with the Ministry of Economy of U.A.E. under registration number 6. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

The principal activity of the Company is the writing of all classes of general insurance business and life assurance and till date the Company has written general insurance business only. The Company operates through its Dubai and Abu Dhabi offices.

2. Adoption of new and revised Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

Effective from January 1, 2009

IAS 1 (Revised)	<i>Presentation of Financial Statements</i>
IAS 16 (Revised)	<i>Property, plant and equipment</i>
IAS 19 (Revised)	<i>Employees Benefits</i>
IAS 20 (Revised)	<i>Government grants and disclosure of government assistance</i>
IAS 23 (Revised)	<i>Borrowing Costs</i>
IAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
IAS 28 (Revised)	<i>Investments in Associates</i>
IAS 29 (Revised)	<i>Financial Reporting in Hyper Inflationary Economies</i>
IAS 31 (Revised)	<i>Interest in Joint Ventures</i>
IAS 32 (Revised)	<i>Financial Instruments: Presentation</i>
IAS 36 (Revised)	<i>Impairment of Assets</i>
IAS 38 (Revised)	<i>Intangible Assets</i>
IAS 39 (Revised)	<i>Financial Instruments: Recognition and Measurement</i>
IAS 40 (Revised)	<i>Investment Property</i>
IAS 41 (Revised)	<i>Agriculture</i>
IFRS 1 (Revised)	<i>First time adoption of International Financial Reporting Standards</i>
IFRS 2 (Revised)	<i>Share-based Payment</i>
IFRS 8	<i>Operating Segments</i>
IFRIC 15	<i>Agreements for Construction of Real Estate</i>

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

2. Adoption of new and revised Standards (continued)

Others:

IFRS 3 (Revised)	<i>Business Combinations</i> (effective for accounting periods beginning on or after July 1, 2009)
IFRS 5 (Revised)	<i>Non Current Assets Held for Sale and Discontinued Operations</i> (effective for accounting periods beginning on or after July 1, 2009)
IFRIC 13	<i>Customer Loyalty Programmes</i> (effective for accounting periods beginning on or after July 1, 2008)
IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i> (effective from annual period beginning on or after October 1, 2008)
IFRIC 17	<i>Distributions of non-cash assets to Owners</i> (effective for accounting periods beginning on or after July 1, 2009)
IFRIC 18	<i>Transfers of assets from Customers</i> (effective for transfers received on or after July 1, 2009)

The directors anticipate that all of the above Standards and Interpretations will be adopted in the Company's financial statements for the period commencing January 1, 2009 or as and when applicable and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of U.A.E. Federal Law No. 9 of 1984, as amended, concerning Insurance Companies and Agents.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and investment property. The principal accounting policies adopted are set out below.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Insurance contracts

Definition

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk.

Recognition and measurement

Insurance contracts are classified into two main categories, short-term insurance contracts and long-term insurance contracts depending on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

The Company writes short-term insurance contracts only. These contracts are casualty and property insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

For all these insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Insurance contracts (continued)

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the balance sheet date, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the balance sheet date and is estimated using the 1/8th method for all lines of business. The unearned premium calculated by the above method (after reducing the reinsurance share) complies with the minimum unearned premium amounts to be maintained using the 25% and 40% method for marine and non-marine business respectively, as required by U.A.E. Federal Law No. 9 of 1984, as amended, concerning Insurance Companies and Agents. The unearned premium calculated by the 1/8th method accounts for the estimated acquisition costs incurred by the Company to acquire policies and defers these over the life of the policy.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Insurance contracts (continued)

Insurance contract liabilities (continued)

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the financial statements.

Deferred policy acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are amortised over the terms of the policies as premium is earned.

Salvage and subrogation reimbursements

Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims.

Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs. Any deficiency is immediately charged to profit or loss initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Revenue recognition

Insurance contract income

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these financial statements.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Dividend income

Dividend income from investments is recognised when the Shareholders' right to receive payment have been established.

Rental income

Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Foreign currencies (continued)

Exchange differences are recognised in profit or loss in the year in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Provision for employees' end of service indemnity

Provision for employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the balance sheet date.

Defined contribution plan

U.A.E. national employees of the Company are members of the Government managed retirement pension and social security benefit scheme established pursuant to U.A.E. Federal Labour Law No. 7 of 1999. The Company is required to contribute 12.5% of "contribution calculation salary" to the retirement benefit scheme to fund the benefits. These employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the profit or loss.

Statutory reserve

In accordance with U.A.E. Federal Commercial Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

General reserve

The general reserve is established through transfers from profit for the year as recommended by the board of directors and approved by the Shareholders at the Annual General Meeting. The reserve is distributable based on a recommendation by the board of directors approved by a Shareholders' resolution.

Property and equipment

Property and equipment, except properties under construction, are carried at cost less any accumulated depreciation and any identified impairment losses.

Properties in the course of construction for rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss.

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Impairment of tangible assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Financial assets

The Company has the following financial assets: insurance and other receivables, due from related parties and bank balances and cash classified as 'loans and receivables'. The financial assets also include available-for-sale investments and investments held for trading. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Financial assets (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks net of fixed deposits in banks with maturity over three months.

Insurance and other receivables

Insurance and other receivables that have fixed or determinable payments are measured at amortised cost using the effective interest method, less any impairment.

Due from related parties

Due from related parties that have fixed or determinable payments are measured at amortised cost using the effective interest method, less any impairment.

Investments

Investments of the Company are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments of the Company are classified as either as 'at fair value through profit or loss' (FVTPL) or as available-for-sale (AFS).

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial assets is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short- term profit taking.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Financial assets (continued)

AFS financial assets

AFS financial assets comprise listed shares held by the Company traded in an active market and are stated at fair value. Gains and losses arising from the changes in the fair value are recognised directly in the equity in the investments revaluation reserve with the exception of impairment losses. Where the investment is disposed off or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables where the carrying amount is reduced through the use of an allowance account. When an insurance receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the balance sheet date;
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Financial assets (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Insurance and other payables, due to related parties and provision for employees' end of service indemnity are classified as 'other financial liabilities' and are measured at amortised cost.

Insurance and other payables

Insurance and other payables are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Financial liabilities and equity instruments issued by the Company (continued)

Financial liabilities (continued)

Due to related parties

Due to related parties are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, which are described in Note 3, management has made judgements that have the most significant effect on the amounts recognised in the financial statements and applied certain assumptions, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below:

Critical accounting judgements

Classification of investments

Management decides on acquisition of an investment whether it should be classified as FVTPL - held for trading or available-for-sale.

The Company classifies investments as FVTPL - held for trading if they are acquired primarily for the purpose of making a short term profit by the dealers. Other investments are classified as available-for-sale.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements (continued)

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of AFS financial assets

The Company determines whether available-for sale financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether an impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

The management has considered an amount of AED 37,858,555 as impairment loss on available-for-sale investments for the year, based on the analysis of impairment test performed on available-for-sale investments based on conditions prevailing in U.A.E. after the third quarter of 2008.

Key sources of estimation uncertainty

The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the balance sheet date. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2008 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

Liability adequacy test

At each balance sheet, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

5. Property and equipment

	Furniture and fixtures	Motor vehicles	Properties under construction	Total
	AED	AED	AED	AED
<i>Cost</i>				
At December 31, 2006	2,650,961	376,300	31,708,669	34,735,930
Additions	61,174	357,300	12,686,888	13,105,362
Disposal	-	(365,000)	-	(365,000)
Transfer to investment property (see Note 6)	<u>-</u>	<u>-</u>	<u>(35,736,262)</u>	<u>(35,736,262)</u>
At December 31, 2007	2,712,135	368,600	8,659,295	11,740,030
Additions	<u>67,105</u>	<u>-</u>	<u>19,927,867</u>	<u>19,994,972</u>
At December 31, 2008	<u>2,779,240</u>	<u>368,600</u>	<u>28,587,162</u>	<u>31,735,002</u>
<i>Accumulated depreciation</i>				
At December 31, 2006	2,486,259	201,404	-	2,687,663
Charge for the year	80,828	100,073	-	180,901
Eliminated on disposals	<u>-</u>	<u>(280,354)</u>	<u>-</u>	<u>(280,354)</u>
At December 31, 2007	2,567,087	21,123	-	2,588,210
Charge for the year	<u>82,012</u>	<u>89,581</u>	<u>-</u>	<u>171,593</u>
At December 31, 2008	<u>2,649,099</u>	<u>110,704</u>	<u>-</u>	<u>2,759,803</u>
<i>Carrying amount</i>				
At December 31, 2008	130,141	257,896	28,587,162	28,975,199
	=====	=====	=====	=====
At December 31, 2007	145,048	347,477	8,659,295	9,151,820
	=====	=====	=====	=====

At December 31, 2008, the cost of fully depreciated property and equipment that was still in use amounted to AED 2,415,315 (2007: AED 2,357,531).

The useful life used in the calculation of depreciation for all the assets other than properties under construction is 4 years.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

6. Investment property

	<u>2008</u> AED	<u>2007</u> AED
Fair value, at the beginning of the year	169,500,000	132,250,000
Transfer from property and equipment upon completion	-	35,736,262
Increase in fair value during the year	-	23,513,738
Disposals	<u>-</u>	<u>(22,000,000)</u>
Fair value, at the end of the year	<u>169,500,000</u>	<u>169,500,000</u>

The fair value of the Company's investment property at December 31, 2008 has been arrived at on the basis of a valuation carried out at that date by independent valuers that are not related to the Company. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

Investment property is registered in the name of a Director in trust and for the benefit of the Company.

The property rental income earned by the Company from its investment property, which are leased under operating leases on an annual basis and the direct operating expenses arising in the investment property are as follows:

	<u>Year ended December 31,</u> <u>2008</u> AED	<u>2007</u> AED
Rental income	18,562,344	16,168,728
Direct operating expenses	<u>(1,712,212)</u>	<u>(1,069,337)</u>
Income from investment property (Note 16)	<u>16,850,132</u>	<u>15,099,391</u>

Investment property represents the fair value of the properties located in U.A.E.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

7. Investments

- **Available-for-sale investments**

	December 31,	
	2008	2007
	AED	AED
Quoted	34,769,585	112,864,080
Unquoted	3,268,750	2,800,000
	38,038,335	115,664,080
	=====	=====

Impairment loss on available-for-sale investments charged to profit and loss for the year amounted to AED 37,858,555 (Note 16).

- **Investments held for trading**

	December 31,	
	2008	2007
	AED	AED
Fair value	25,670,420	26,403,643
	=====	=====

Held for trading investments amounting to AED 8,537,414 (2007: AED Nil) are registered in the name of a Director in trust and for the benefit of the Company.

The available-for-sale and held for trading investments are held in listed entities in U.A.E.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

8. Insurance contract liabilities and re-insurance contract assets

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	<u>AED</u>	<u>AED</u>
Gross		
Insurance contract liabilities		
Claims reported unsettled	16,053,136	15,623,274
Claims incurred but not reported	3,600,000	3,600,000
Unearned premiums	<u>29,960,335</u>	<u>23,731,309</u>
Total insurance contract liabilities, gross	<u>49,613,471</u>	<u>42,954,583</u>
Recoverable from reinsurers		
Claims reported unsettled	4,558,941	7,366,001
Unearned premiums	<u>7,271,368</u>	<u>5,760,217</u>
Total reinsurers' share of insurance liabilities	<u>11,830,309</u>	<u>13,126,218</u>
Net		
Claims reported unsettled	11,494,195	8,257,273
Claims incurred but not reported	3,600,000	3,600,000
Unearned premiums	<u>22,688,967</u>	<u>17,971,092</u>
	<u>37,783,162</u>	<u>29,828,365</u>
	=====	=====

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

8. Insurance contract liabilities and re-insurance contract assets (continued)

Movement in the insurance contract liabilities and reinsurance contract assets during the year were as follows:

	Year ended December 31, 2008			Year ended December 31, 2007		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
Claims						
Notified claims	15,623,274	(7,366,001)	8,257,273	19,520,497	(10,727,885)	8,792,612
Incurred but not reported	<u>3,600,000</u>	<u>-</u>	<u>3,600,000</u>	<u>2,900,000</u>	<u>-</u>	<u>2,900,000</u>
Total at the beginning of the year	19,223,274	(7,366,001)	11,857,273	22,420,497	(10,727,885)	11,692,612
Claims settled in the year	(31,562,520)	13,042,718	(18,519,802)	(27,778,725)	11,900,744	(15,877,981)
Increase in liabilities	<u>31,992,382</u>	<u>(10,235,658)</u>	<u>21,756,724</u>	<u>24,581,502</u>	<u>(8,538,860)</u>	<u>16,042,642</u>
Total at the end of the year	19,653,136	(4,558,941)	15,094,195	19,223,274	(7,366,001)	11,857,273
	=====	=====	=====	=====	=====	=====
Notified claims	16,053,136	(4,558,941)	11,494,195	15,623,274	(7,366,001)	8,257,273
Incurred but not reported	<u>3,600,000</u>	<u>-</u>	<u>3,600,000</u>	<u>3,600,000</u>	<u>-</u>	<u>3,600,000</u>
Total at the end of the year	19,653,136	(4,558,941)	15,094,195	19,223,274	(7,366,001)	11,857,273
	=====	=====	=====	=====	=====	=====
Unearned premium						
Total at the beginning of the year	23,731,309	(5,760,217)	17,971,092	21,980,435	(5,444,979)	16,535,456
Increase in the year	27,960,335	(7,271,368)	20,688,967	21,731,309	(5,760,217)	15,971,092
Release in the year	<u>(21,731,309)</u>	<u>5,760,217</u>	<u>(15,971,092)</u>	<u>(19,980,435)</u>	<u>5,444,979</u>	<u>(14,535,456)</u>
Net increase during the year (see Note 15)	<u>6,229,026</u>	<u>(1,511,151)</u>	<u>4,717,875</u>	<u>1,750,874</u>	<u>(315,238)</u>	<u>1,435,636</u>
Total at the end of the year	29,960,335	(7,271,368)	22,688,967	23,731,309	(5,760,217)	17,971,092
	=====	=====	=====	=====	=====	=====

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

9. Insurance and other receivables

	December 31,	
	2008	2007
	AED	AED
Receivables arising from insurance and reinsurance contracts:		
Due from policy holders	15,003,320	9,983,297
Allowance for doubtful debts	(1,412,861)	(1,505,982)
	<u>13,590,459</u>	<u>8,477,315</u>
Notes receivables – Post dated cheques	1,812,064	1,752,936
Due from insurance companies	4,004,917	3,623,360
Due from reinsurance companies	<u>155,391</u>	<u>229,441</u>
	<u>5,972,372</u>	<u>5,605,737</u>
Other receivables:		
Prepayments and others	<u>1,661,314</u>	<u>3,397,979</u>
	<u>21,224,145</u>	<u>17,481,031</u>
	=====	=====

Before accepting any new customer, the Company assesses the potential customers credit quality and defines credit limits by customer. Of the due from policyholders balance at the end of year AED 1,935,810 (2007: AED 2,657,200) is due from the Company's largest customer. There are 4 (2007: 2) other customers who represents more than 5% of the total balance of due from policy holders.

	2008	2007
	AED	AED
Movement in the allowance for doubtful debts:		
Balance, at the beginning of the year	1,505,982	2,637,772
Impairment losses recognised on receivables	90,293	442,666
Written off	(101,405)	(777,895)
Amounts recovered during the year	(82,009)	(796,561)
Balance, at the end of the period	<u>1,412,861</u>	<u>1,505,982</u>
	=====	=====

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

9. Insurance and other receivables (continued)

In determining the recoverability of an insurance receivable, the Company considers any change in the credit quality of the insurance receivable from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

10. Related party transactions

At the balance sheet date, amounts due from/to related parties were as follows:

	December 31,	
	2008	2007
	AED	AED
Due from related parties:		
Al Kazim Real Estate, Dubai	2,717,602	3,148,138
Insurance Service Management, Dubai	5,356,536	4,805,340
Al Redah Insurance Brokers (LLC), Dubai	602,031	469,735
Other related parties	28,082	68,316
	8,704,251	8,491,529
	=====	=====
	December 31,	
	2008	2007
	AED	AED
Claims due to related parties:		
Architectural Construction Team, Dubai	-	1,342,354
Al Kazim Furniture, Dubai	-	8,075
	-	1,350,429
	=====	=====

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received and no expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

10. Related party transactions (continued)

Transactions:

During the year, the Company entered into the following transactions with related parties:

	Year ended December 31,	
	2008	2007
	AED	AED
Insurance policies written for Director's companies	770,313	414,527
Management expenses (net)	2,306,351	1,854,403
Premiums written through a related party broker	8,777,134	8,877,117
Commission paid	1,038,590	1,008,583
Claims paid	784,355	215,541
Payments made to related party for construction	-	7,739,024

Transactions with related parties were carried out on terms agreed with the management.

Compensation of board of directors/ key management personnel

	Year ended December 31,	
	2008	2007
	AED	AED
Short-term benefits	2,370,320	1,047,864
Long-term benefits	75,000	75,000
Board of directors' remuneration	-	700,000

11. Bank balances and cash

	December 31,	
	2008	2007
	AED	AED
Cash on hand	48,974	117,477
Bank balances:		
Current accounts	2,408,532	60,636,962
Call accounts	222,168	216,289
Fixed deposits	<u>11,482,438</u>	<u>11,404,061</u>
	14,162,112	72,374,789
	=====	=====

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

11. Bank balances and cash (continued)

Fixed deposits amounting to AED 7,500,000 (December 31, 2007: AED 7,500,000) are under lien with a bank against the guarantees issued in favour of U.A.E. Ministry of Economy in accordance with the requirements of U.A.E. Federal Law No. 9 of 1984, as amended, concerning Insurance Companies and Agents and AED 1,000,000 (December 31, 2007: AED 1,000,000) are under lien against the credit facility granted to the Company.

Bank balances and cash represents

	December 31,	
	2008	2007
	AED	AED
Within U.A.E.	13,991,753	72,210,309
Outside U.A.E.	170,359	164,480
	14,162,112	72,374,789
	=====	=====

12. Share capital

	December 31,	
	2008	2007
	AED	AED
Issued and fully paid:		
140 million ordinary shares of AED 1 each	140,000,000	140,000,000
	=====	=====

13. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2008	2007
	AED	AED
Balance, at the beginning of the year	1,147,736	913,442
Amounts charged to income	149,960	317,726
Amounts paid during the year	(18,512)	(83,432)
Balance, at the end of the year	1,279,184	1,147,736
	=====	=====

An actuarial valuation has not been performed as the impact of discount rates and future increases in benefits are not likely to be material.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

14. Insurance and other payables

	December 31,	
	2008	2007
	AED	AED
Payables arising from insurance and reinsurance contracts:		
Trade payables	14,350,912	5,665,766
Due to insurance companies	4,045,950	3,223,902
Due to reinsurance companies	5,312,210	7,270,717
Premium reserve withheld	4,248,941	3,576,222
Other payables:		
Accrued expenses and others	<u>8,773,713</u>	<u>8,474,786</u>
	<u>36,731,726</u>	<u>28,211,393</u>

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

15. Net insurance premium revenue

	Year ended December 31,	
	2008	2007
	AED	AED
Gross premium written		
Gross premium written	72,665,383	56,920,430
Change in unearned premium (see Note 8)	(6,229,026)	(1,750,874)
	<u>66,436,357</u>	<u>55,169,556</u>
Reinsurance premium ceded		
Reinsurance premium ceded	(20,343,384)	(16,379,940)
Change in unearned premium (see Note 8)	<u>1,511,151</u>	<u>315,238</u>
	<u>(18,832,233)</u>	<u>(16,064,702)</u>
Net insurance premium revenue	<u>47,604,124</u>	<u>39,104,854</u>

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

16. Investment (loss)/income

	Year ended December 31,	
	2008	2007
	AED	AED
Investment (loss)/income		
(Loss)/profit on disposal of investments held for trading	(10,690,720)	20,475,780
Unrealised loss on investments held for trading	(50,874,022)	(63,889)
Impairment loss on available-for-sale investments	(37,858,555)	-
Income from available-for-sale investments	1,873,440	8,501,138
Increase in fair value of investment property	-	23,513,738
Dividends from investments:		
Available-for-sale	1,943,019	1,609,828
Held for trading	795,470	732,620
Income from investment property (see Note 6)	<u>16,850,132</u>	<u>15,099,391</u>
	<u>(77,961,236)</u>	<u>69,868,606</u>

17. (Loss)/profit for the year

(Loss)/profit for the year has been arrived at after charging the following expenses:

	Year ended December 31,	
	2008	2007
	AED	AED
Staff costs	7,479,398	6,548,178
Depreciation of property and equipment	171,593	180,901

18. Basic earnings per share

	Year ended December 31,	
	2008	2007
(Loss)/profit for the year (in AED)	<u>(63,055,497)</u>	<u>84,970,836</u>
Number of shares	<u>140,000,000</u>	<u>140,000,000</u>
Basic earnings per share (in AED)	<u>(0.45)</u>	<u>0.61</u>

Basic earnings per share is calculated by dividing the (loss)/profit for the year by the number of shares outstanding as of the balance sheet date.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

19. Cash and cash equivalents

Cash and cash equivalents at the end of the year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	December 31,	
	2008	2007
	AED	AED
Bank balances and cash (see Note 11)	14,162,112	72,374,789
Fixed deposit under lien	(8,500,000)	(8,500,000)
	5,662,112	63,874,789
	=====	=====

20. Dividends

During the year 2008, a dividend of AED 25 fils (2007: AED Nil) per share was paid to the Shareholders.

21. Commitments and contingent liabilities

	December 31,	
	2008	2007
	AED	AED
Commitments for acquisition of investment property	6,585,734	14,328,454
Letters of guarantees	8,298,700	9,333,290

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

22. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property insurance contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

22. Insurance risk (continued)

Frequency and severity of claims (continued)

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 200,000 in any one policy. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the balance sheet date.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

22. Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments (continued)

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before re insurance) are analysed below by type of risk where the insured operates for current and prior year premiums earned.

Type of risk	2008	2007
Motor	80%	79%
Non motor	30%	22%

Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the balance sheet date to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

22. Insurance risk (continued)

Concentration of Insurance risk

Substantially all of the Company's underwriting activities are carried out in the United Arab Emirates.

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Company amounts to AED 13.9 million for the year ended December 31, 2008 (2007: AED 13.2 million). The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 72% (2007: 71%) and the same is mainly contributed by motor and medical class of business. However, in this class the risk is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

23. Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 9 of 1984, as amended, concerning Insurance Companies and Agents. The Company manages its capital on a basis of 50% - 100% of its minimum regulatory capital position presented in the table below. Management considers the quantitative threshold of 20% - 25% sufficient to maximise shareholders' return and to support the capital required;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In U.A.E., the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

The table below summarises the minimum required capital of the Company and the total capital held.

	December 31,	
	2008	2007
	AED	AED
Total capital held	230,480,390	358,528,969
	=====	=====
Minimum regulatory capital	50,000,000	50,000,000
	=====	=====

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

24. Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments and others

December 31, 2008

Assets	Loans and receivables	Held for trading	Available for-sale	Insurance contract assets (IFRS 4)	Non- financial instruments	Total
	AED	AED	AED	AED	AED	AED
Property and equipment	-	-	-	-	28,975,199	28,975,199
Investment property	-	-	-	-	169,500,000	169,500,000
Available-for-sale investments	-	-	38,038,335	-	-	38,038,335
Re-insurance contract assets	-	-	-	11,830,309	-	11,830,309
Insurance and other receivables	21,224,145	-	-	-	-	21,224,145
Due from related parties	8,704,251	-	-	-	-	8,704,251
Investments held for trading	-	25,670,420	-	-	-	25,670,420
Bank balances and cash	14,162,112	-	-	-	-	14,162,112
Total assets	44,090,508	25,670,420	38,038,335	11,830,309	198,475,199	318,104,771

Liabilities	At amortised cost	Insurance contract liabilities (IFRS 4)	Total
	AED	AED	AED
Provision for employees' end of service indemnity	1,279,184	-	1,279,184
Insurance contract liabilities	-	49,613,471	49,613,471
Insurance and other payables	36,731,726	-	36,731,726
Total liabilities	38,010,910	49,613,471	87,624,381

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

24. Financial instruments (continued)

Categories of financial instruments and others (continued)

December 31, 2007

Assets	Loans and receivables AED	Held for trading AED	Available for-sale AED	Insurance contract assets (IFRS 4) AED	Non- financial instruments AED	Total AED
Property and equipment	-	-	-	-	9,151,820	9,151,820
Investment property	-	-	-	-	169,500,000	169,500,000
Available-for-sale investments	-	-	115,664,080	-	-	115,664,080
Re-insurance contract assets	-	-	-	13,126,218	-	13,126,218
Insurance and other receivables	17,481,031	-	-	-	-	17,481,031
Due from related parties	8,491,529	-	-	-	-	8,491,529
Investments held for trading	-	26,403,643	-	-	-	26,403,643
Bank balances and cash	<u>72,374,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,374,789</u>
Total assets	<u>98,347,349</u>	<u>26,403,643</u>	<u>115,664,080</u>	<u>13,126,218</u>	<u>178,651,820</u>	<u>432,193,110</u>

Liabilities	At amortised cost AED	Insurance contract liabilities (IFRS 4) AED	Total AED
Provision for employees' end of service indemnity	1,147,736	-	1,147,736
Insurance contract liabilities	-	42,954,583	42,954,583
Insurance and other payables	28,211,393	-	28,211,393
Due to related parties	<u>1,350,429</u>	<u>-</u>	<u>1,350,429</u>
Total liabilities	<u>30,709,558</u>	<u>42,954,583</u>	<u>73,664,141</u>

The management considers that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

24. Financial instruments (continued)

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

Key areas where the Company is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

24. Financial instruments (continued)

Credit risk (continued)

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

24. Financial instruments (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the financial assets and financial liabilities at the balance sheet date based on contractual repayment arrangements was as follows:

	2008 Less than 30 days AED	2008 30-90 days AED	2008 90-180 days AED	2008 After 180 days AED	2008 Total AED
Financial assets					
Available-for-sale investments	-	-	-	38,038,335	38,038,335
Insurance and other receivables	6,983,706	6,841,612	2,520,308	4,878,519	21,224,145
Due from related parties	-	-	8,704,251	-	8,704,251
Investments held-for-trading	25,670,420	-	-	-	25,670,420
Bank balances and cash - non interest bearing	2,457,506	-	-	-	2,457,506
Bank balances and cash – interest bearing	<u>3,204,606</u>	<u>-</u>	<u>-</u>	<u>8,500,000</u>	<u>11,704,606</u>
	<u>38,316,238</u>	<u>6,841,612</u>	<u>11,224,559</u>	<u>51,416,854</u>	<u>107,799,263</u>
Financial liabilities					
Provision for employees' end of service indemnity	-	-	-	1,279,184	1,279,184
Insurance and other payables	<u>2,113,121</u>	<u>16,598,407</u>	<u>3,789,681</u>	<u>14,230,517</u>	<u>36,731,726</u>
	<u>2,113,121</u>	<u>16,598,407</u>	<u>3,789,681</u>	<u>15,509,701</u>	<u>38,010,910</u>

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

24. Financial instruments (continued)

Liquidity risk (continued)

	2007 Less than 30 days AED	2007 30-90 days AED	2007 90-180 days AED	2007 After 180 days AED	2007 Total AED
Financial assets					
Available-for-sale investments	-	-	-	115,664,080	115,664,080
Insurance and other receivables	3,197,758	3,331,850	10,912,423	39,000	17,481,031
Due from related parties	-	-	8,491,529	-	8,491,529
Investments held-for-trading	25,888,258	-	-	515,385	26,403,643
Bank balances and cash - non interest bearing	60,754,439	-	-	-	60,754,439
Bank balances and cash – interest bearing	<u>3,120,350</u>	<u>-</u>	<u>-</u>	<u>8,500,000</u>	<u>11,620,350</u>
	<u>92,960,805</u>	<u>3,331,850</u>	<u>19,403,952</u>	<u>124,718,465</u>	<u>240,415,072</u>
Financial liabilities					
Provision for employees' end of service indemnity	-	-	-	1,147,736	1,147,736
Insurance and other payables	2,801,786	5,785,900	16,043,615	3,580,092	28,211,393
Due to related parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350,429</u>	<u>1,350,429</u>
	<u>2,801,786</u>	<u>5,785,900</u>	<u>16,043,615</u>	<u>6,078,257</u>	<u>30,709,558</u>

Interest risk

The Company's exposure to interest rate risk relates to its bank deposits. At December 31, 2008, bank deposits carried interest rate of 2.16% per annum (2007: 4.75% per annum).

The Company's sensitivity to interest rates has not changed significantly from the prior year.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

24. Financial instruments (continued)

Equity price risk

Sensitivity analysis

At the balance sheet date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Company's statement of income/equity would have increased/decreased by AED 6.4 million (2007: AED 14.2 million).

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the balance sheet date.
- As at the balance sheet date if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and equity has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

25. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on February 17, 2009.

26. Comparative amounts

Certain amounts for the prior year were reclassified to conform to current year presentation.