

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

**Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2009**

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Ref: 32608FS09-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 statement of financial position as at December 31, 2009, and the statements of income, comprehensive income, changes in equity and cash flows 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*

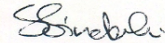
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Arabian Scandinavian Insurance Company P.L.C. - Dubai, United Arab Emirates**, as of December 31, 2009, and its financial performance and its cash flows for the year then ended in accordance 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. 6 of 2007, concerning formation of Insurance Authority of U.A.E., or the Company's Articles of Association which might have materially affected the financial position of the Company or its financial performance.

Sharjah
February 3, 2010

For Deloitte & Touche



Saba Y. Sindaha
Partner
(Registration No. 410)

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

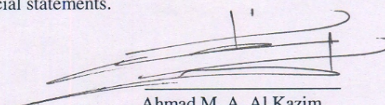
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Statement of Financial Position
At December 31, 2009
(In Arab Emirates Dirhams)

	Notes	December 31, 2009	December 31, 2008
ASSETS			
Non-current assets			
Property and equipment	5	294,346	28,975,199
Investment property	6	203,069,216	169,500,000
Available-for-sale investments	7	52,193,990	38,038,335
Total non-current assets		255,557,552	236,513,534
Current assets			
Re-insurance contract assets	8	16,610,207	11,830,309
Insurance and other receivables	9	13,440,580	21,224,145
Due from related parties	10	7,731,450	8,704,251
Investments held for trading	7	21,616,516	25,670,420
Bank balances and cash	11	29,058,865	14,162,112
Total current assets		88,457,618	81,591,237
Total Assets		344,015,170	318,104,771
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	140,000,000	140,000,000
Statutory reserve		42,688,525	40,759,753
General reserve		34,798,325	32,869,553
Cumulative change in fair value		(13,763,857)	(27,342,414)
Retained earnings		59,623,675	44,193,498
Total Equity		263,346,668	230,480,390
Non-current liabilities			
Provision for employees' end of service indemnity	13	1,369,941	1,279,184
Current liabilities			
Insurance contract liabilities	8	42,163,818	49,613,471
Insurance and other payables	14	37,123,318	36,731,726
Due to related parties	10	11,425	-
Total current liabilities		79,298,561	86,345,197
Total Liabilities		80,668,502	87,624,381
Total Equity and Liabilities		344,015,170	318,104,771

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


Mohd. Amin. Al Kazim
Vice Chairman


Ahmad M. A. Al Kazim
Managing Director

Statement of Income
For the Year Ended December 31, 2009
(In Arab Emirates Dirhams)

	<u>Notes</u>	<u>Year ended December 31, 2009</u>	<u>Year ended December 31, 2008</u>
Insurance premium revenue	15	60,267,029	66,436,357
Insurance premium ceded to re-insurers	15	(19,850,995)	(18,832,233)
Net insurance premium revenue	15	<u>40,416,034</u>	<u>47,604,124</u>
Gross claims incurred	8	(38,293,881)	(31,992,382)
Insurance claims recovered from re-insurers	8	<u>17,752,295</u>	<u>10,235,658</u>
Net claims incurred	8	<u>(20,541,586)</u>	<u>(21,756,724)</u>
Gross commission earned		5,200,398	5,103,393
Less: commission incurred		<u>(3,969,265)</u>	<u>(5,694,277)</u>
Net commission earned/(incurred)		<u>1,231,133</u>	<u>(590,884)</u>
Underwriting profit		21,105,581	25,256,516
General and administrative expenses relating to underwriting activities		<u>(10,916,030)</u>	<u>(11,370,857)</u>
Net underwriting profit		10,189,551	13,885,659
Investment income/(loss)	16	6,736,752	(77,961,236)
Other income		<u>2,361,418</u>	<u>1,020,080</u>
Profit/(loss) for the year	17	19,287,721 =====	(63,055,497) =====
Basic earnings per share	18	0.14 =====	(0.45) =====

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

Statement of Comprehensive Income
For the Year Ended December 31, 2009
(In Arab Emirates Dirhams)

	Year ended December 31, 2009	Year ended December 31, 2008
Profit/(loss) for the year	19,287,721	(63,055,497)
Other comprehensive income		
Loss on available-for-sale investments recognised directly in equity	(4,869,326)	(66,210,771)
Reclassification adjustment for losses included in profit and loss	18,557,908	37,858,555
Transfer to profit or loss on sale of available-for-sale investments	(110,025)	(940,866)
Board of Directors' remuneration paid	<u>-</u>	(<u>700,000</u>)
Total comprehensive income/(loss) for the year	32,866,278 =====	(93,048,579) =====

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, 2009
(In Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Cumulative change in fair value</u>	<u>Retained earnings</u>	<u>Total</u>
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 for the year	-	-	-	-	(63,055,497)	(63,055,497)
Other comprehensive loss for the year	-	-	-	(29,293,082)	-	(29,293,082)
Board of Directors' remuneration paid	-	-	-	-	(700,000)	(700,000)
Total comprehensive loss for the year	-	-	-	(29,293,082)	(63,755,497)	(93,048,579)
Dividend paid	-	-	-	-	(35,000,000)	(35,000,000)
Balance at December 31, 2008	<u>140,000,000</u>	<u>40,759,753</u>	<u>32,869,553</u>	(27,342,414)	<u>44,193,498</u>	<u>230,480,390</u>
Profit for the year	-	-	-	-	19,287,721	19,287,721
Other comprehensive income for the year	-	-	-	<u>13,578,557</u>	-	<u>13,578,557</u>
Total comprehensive income for the year	-	-	-	<u>13,578,557</u>	<u>19,287,721</u>	<u>32,866,278</u>
Transfer to statutory reserve	-	1,928,772	-	-	(1,928,772)	-
Transfer to general reserve	-	-	<u>1,928,772</u>	-	(1,928,772)	-
Balance at December 31, 2009	<u>140,000,000</u> =====	<u>42,688,525</u> =====	<u>34,798,325</u> =====	(13,763,857) =====	<u>59,623,675</u> =====	<u>263,346,668</u> =====

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

Statement of Cash Flows
For the Year Ended December 31, 2009
(In Arab Emirates Dirhams)

	Year ended December 31, 2009	Year ended December 31, 2008
Operating activities		
Profit/(loss) for the year	19,287,721	(63,055,497)
Adjustments for:		
(Increase)/decrease in re-insurance contract assets	(4,779,898)	1,295,909
(Decrease)/increase in insurance contract liabilities	(7,449,653)	6,658,888
Depreciation of property and equipment	154,916	171,593
Provision for employees' end of service indemnity	192,118	149,960
Allowance for doubtful debts	338,842	90,293
(Income)/loss on investments held for trading	(3,482,016)	61,564,742
Impairment loss on available-for-sale investments	18,557,908	37,858,555
Income on available-for-sale investments	(1,984,741)	(1,873,440)
Other investment income	(19,827,903)	(19,588,621)
Operating profit before changes in working capital	1,007,294	23,272,382
Increase in insurance and other receivables	7,731,723	(3,833,407)
Increase in due from related parties	685,801	(212,722)
Increase in insurance and other payables	391,592	8,520,333
Increase/(decrease) in due to related parties	11,425	(1,350,429)
Cash generated from operations	9,827,835	26,396,157
Employees' end of service indemnity paid	(101,361)	(18,512)
Net cash generated from operating activities	9,726,474	26,377,645
Cash flows from investing activities		
Purchase of property and equipment	(61,225)	(19,994,972)
Purchase of investment property	(4,982,054)	-
Increase in fixed deposits with banks under lien	(2,500,000)	-
Purchase of investments held for trading	(133,989,934)	(141,044,292)
Purchase of available-for-sale investments	(33,580,705)	(44,280,543)
Proceeds from disposal of investments held for trading	141,525,854	80,212,773
Proceeds from disposal of available-for-sale investments	16,430,440	56,628,091
Investment property income	17,289,126	16,850,132
Dividend received	2,538,777	2,738,489
Net cash generated from/(used in) investing activities	2,670,279	(48,890,322)
Cash flows from financing activities		
Dividend paid	-	(35,000,000)
Board of directors' remuneration paid	-	(700,000)
Net cash used in financing activities	-	(35,700,000)
Net increase/(decrease) in cash and cash equivalents	12,396,753	(58,212,677)
Cash and cash equivalents at the beginning of the year	5,662,112	63,874,789
Cash and cash equivalents at the end of the year (see Note 19)	18,058,865	5,662,112
	=====	=====

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

Notes to the Financial Statements
For the Year Ended December 31, 2009

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. 6 of 2007, concerning the formation of Insurance Authority of U.A.E. and is registered in the Insurance Companies register of Insurance Authority 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 International Financial Reporting Standards (IFRSs)

2.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current year in these financial statements and have affected the presentation and disclosures in these financial statements. Details of other Standards and Interpretations adopted but that have had no effect on these financial statements are set out in section 2.2.

- | | |
|---|--|
| <ul style="list-style-type: none">• IAS 1 (as revised in 2007)
<i>Presentation of Financial Statements</i> | IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. |
| <ul style="list-style-type: none">• <i>Amendments to IFRS 7 Financial Instruments: Disclosures, Improving disclosures about Financial Instruments</i> | The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. |
| <ul style="list-style-type: none">• IFRS 8 <i>Operating Segments</i> | IFRS 8 is a disclosure Standard that requires re-designation of the Company's reportable segments based on the segments used by the Chief Operating Decision Maker to allocate resources and assess performance. |
| <ul style="list-style-type: none">• IAS 40 <i>Investment Property: Amendments resulting from May 2008 Annual Improvements to IFRS's</i> | The amendments to IAS 40 requires property that is being constructed or developed for future use as investment property to be classified as investment property. |

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

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|--|---|
| <ul style="list-style-type: none">• Amendments to IFRS 2 <i>Share-Based Payment - Vesting Conditions and Cancellations</i>• IAS 23 (as revised in 2007) <i>Borrowing Costs</i>• Amendments to IAS 32 <i>Financial Instruments: Presentation</i> and IAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>• IFRIC 13 <i>Customer Loyalty Programmes</i>• IFRIC 15 <i>Agreement for the Construction of Real Estate</i>• IFRIC 16 <i>Hedges of a Net Investment in a Foreign Operation</i>• Improvements to IFRSs (2008) | <p>The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of “non-vesting” conditions, and clarify the accounting treatment for cancellations.</p> <p>The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred.</p> <p>The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.</p> <p>The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.</p> <p>The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 <i>Construction Contracts</i> or IAS 18 <i>Revenue</i> and when revenue from the construction of real estate should be recognised.</p> <p>The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.</p> <p>Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39 and IAS 41 resulting from May and October 2008 <i>Annual Improvements to IFRSs</i> effective for annual periods beginning on or after January 1, 2009.</p> |
|--|---|

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.3 Standards and Interpretations in issue not yet effective and not early adopted

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

New Standards and amendments to Standards:

	Effective for annual periods beginning on or after
• IFRS 1 (revised) <i>First Time Adoption of IFRS</i> and IAS 27 (revised) <i>Consolidated and Separate Financial Statements</i> – Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	July 1, 2009
• IFRS 1 (revised) <i>First Time Adoption of IFRS</i> – Amendment on additional exemptions for First-time Adopters	January 1, 2010
• IFRS 2 (revised) <i>Share-Based Payment</i> – Amendment relating to Group cash-settled Share-based payments	January 1, 2010
• IFRS 3 (revised) <i>Business Combinations</i> – Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) <i>Consolidated and Separate Financial Statements</i> , IAS 28 (revised) <i>Investments in Associates</i> and IAS 31 (revised) <i>Interests in Joint Ventures</i>	July 1, 2009
• IFRS 9 Financial Instruments: Classification and Measurement (intended as complete replacement for IAS 39 and IFRS 7)	January 1, 2013
• IAS 24 Related Party Disclosures – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	January 1, 2011
• IAS 32 (revised) Financial Instruments: Presentation – Amendments relating to classification of Rights Issue	February 1, 2010
• IAS 39 (revised) Financial Instruments: Recognition and Measurement – Amendments relating to Eligible Hedged Items (such as hedging Inflation risk and Hedging with options)	July 1, 2009

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.3 Standards and Interpretations in issue not yet effective and not early adopted (continued)

New Standards and amendments to Standards: (continued)

- Improvements to IFRSs (2009):
Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 *Annual Improvements to IFRSs*.
Majority of which are effective for annual periods beginning on or after January 1, 2010

New Interpretations and amendments to Interpretations:

- | | Effective for
annual periods
beginning on or after |
|---|--|
| | <hr/> |
| • IFRIC 17: <i>Distributions of Non-cash Assets to Owners</i> | July 1, 2009 |
| • IFRIC 18: <i>Transfers of Assets from Customers</i> | July 1, 2009 |
| • IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i> | July 1, 2010 |
| • Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i> | January 1, 2011 |
| • Amendment to IFRIC 9 (revised): <i>Reassessment of Embedded Derivatives</i> relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category | July 1, 2009 |
| • Amendment to IFRIC 16: <i>Hedges of a Net Investment in a Foreign Operation</i> | July 1, 2009 |

Management anticipates that these amendments will be adopted in the Company's financial statements for the period beginning January 1, 2010 or as and when they are applicable and adoption of these standards and interpretations may have no material impact on the financial statements of the Company in the period of initial application.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

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. 6 of 2007, concerning formation of Insurance Authority of U.A.E.

Basis of preparation

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

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, 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).

Short-duration life insurance contracts protect the Company's customers from the consequences of events that would affect on the ability of the customer or customer's dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policy holder. There are no maturity or surrender benefits.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

3. Significant accounting policies (continued)

Insurance contracts (continued)

Short-term insurance contracts (continued)

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 end of reporting period 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 end of the reporting period 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).

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.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

3. Significant accounting policies (continued)

Insurance contracts (continued)

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the end of the reporting period, 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 reporting date and is estimated using the 1/8th method for all lines of business. 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.

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 the end of each reporting period, 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.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

3. Significant accounting policies (continued)

Insurance contracts (continued)

Receivables and payables related to insurance contracts (continued)

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.

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.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

3. Significant accounting policies (continued)

Foreign currencies (continued)

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 end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting 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.

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 end of the reporting period.

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.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

3. Significant accounting policies (continued)

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.

General reserve

In accordance with the Company's Articles of association, an amount equal to 10% of profit for the year is transferred to a general reserve. This reserve can be used for specific purposes to be decided upon by the Company's Shareholders based on the recommendations of the board of directors. Transfers to this reserve are required to be made until such time as it equals 50% of the Company's paid up capital.

Property and equipment

Property and equipment are carried at cost less any accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, 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 (including property under construction for such purposes), is stated at its fair value at the end of each reporting period. Gains or losses arising from changes in the fair value of investment property are included in profit or loss.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

3. Significant accounting policies (continued)

Impairment of tangible assets

At the end of each reporting period, 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.

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 end of the reporting period, 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.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

3. Significant accounting policies (continued)

Financial assets

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

Financial assets of the Company are classified into the following specified categories: cash and cash equivalents, financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 interest 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 to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for financial assets other than those financial assets classified as at FVTPL.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

3. Significant accounting policies (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- o such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- o the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- o it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'investment and other income/loss' line item in the statement of income. Fair value is determined in the manner described in note 24.

AFS financial assets

Listed shares held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets and stated at fair value because Management considers that fair value can be reliably measured. Fair value is determined in the manner described in note 24. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative change in fair value with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair value is reclassified to profit or loss.

Loans and receivables

Insurance and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

3. Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. 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 asset have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial asset, such as insurance receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 financial asset's 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 a insurance receivable is considered 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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

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

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Insurance and other payables are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities 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 to the net carrying amount on initial recognition.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

3. Significant accounting policies (continued)

Financial liabilities (continued)

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 end of the reporting period, 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 judgements in applying accounting policies

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.

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.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

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

Critical judgements in applying accounting policies (continued)

Impairment of AFS financial assets

The Company determines that available-for sale equity investments are impaired when there has been a significant or prolonged decline in their fair value below its 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 18,557,908 (2008: 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.

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 end of each reporting period and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. 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.

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 2009 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.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

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

Key sources of estimation uncertainty (continued)

Liability adequacy test

At end of each reporting period, 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.

5. Property and equipment

	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Properties under construction</u>	<u>Total</u>
	AED	AED	AED	AED
<i>Cost</i>				
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	2,779,240	368,600	28,587,162	31,735,002
Additions	61,225	-	-	61,225
Transferred to investment property (see Note 6)	<u>-</u>	<u>-</u>	<u>(28,587,162)</u>	<u>(28,587,162)</u>
At December 31, 2009	<u>2,840,465</u>	<u>368,600</u>	<u>-</u>	<u>3,209,065</u>
<i>Accumulated depreciation</i>				
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	2,649,099	110,704	-	2,759,803
Charge for the year	<u>65,578</u>	<u>89,338</u>	<u>-</u>	<u>154,916</u>
At December 31, 2009	<u>2,714,677</u>	<u>200,042</u>	<u>-</u>	<u>2,914,719</u>
<i>Carrying amount</i>				
At December 31, 2009	125,788	168,558	-	294,346
	=====	=====	=====	=====
At December 31, 2008	130,141	257,896	28,587,162	28,975,199
	=====	=====	=====	=====

At December 31, 2009, the cost of fully depreciated property and equipment that was still in use amounted to AED 2,530,667 (2008: AED 2,415,315).

The useful life used in the calculation of depreciation for all the assets is 4 years.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

6. Investment property

	<u>2009</u> AED	<u>2008</u> AED
Fair value, at the beginning of the year	169,500,000	169,500,000
Transferred from property and equipment (see Note 5)	28,587,162	-
Additions during the year	<u>4,982,054</u>	<u>-</u>
Fair value, at the end of the year	203,069,216 =====	169,500,000 =====

Investment property under construction with a cost of AED 28,587,162 was transferred from property and equipment to investment property following the adoption of amendments to IAS 40 – *Investment Property* resulting from Improvements to *IFRS* issued in May 2008 (see Note 2.1). This portion of investment property stated at cost as the fair value of property under construction is not reliably determinable, but management expects the fair value of the investment property to be reliably determinable when construction is complete.

The fair value of the Company's investment property (other than property under construction) at December 31, 2009 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>2009</u> AED	<u>2008</u> AED
Rental income	19,002,877	18,562,344
Direct operating expenses	(1,713,751)	(1,712,212)
Income from investment property (Note 16)	<u>17,289,126</u> =====	16,850,132 =====

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, 2009

7. Investments

- **Available-for-sale investments**

	December 31,	
	2009	2008
	AED	AED
Quoted	48,925,240	34,769,585
Unquoted	3,268,750	3,268,750
	52,193,990	38,038,335
	=====	=====

Impairment loss on available-for-sale investments charged to profit and loss for the year amounted to AED 18,557,908 (2008: AED 37,858,555) (Note 16).

- **Investments held for trading**

	December 31,	
	2009	2008
	AED	AED
Fair value	21,616,516	25,670,420
	=====	=====

Held for trading investments amounting to AED 1,100,000 (2008: AED 8,537,414) 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.

Movement in investment securities

	2009	2008
	AED	AED
Fair value, at the beginning of the year	63,708,755	142,067,723
Purchased during the year	167,570,639	185,324,835
Sold during the year	(149,599,903)	(146,599,010)
Fair value loss on investment securities		
at fair value through profit and loss – held for trading	(2,999,659)	(50,874,022)
Net fair value loss on investment securities		
available-for-sale directly recognised in equity	(4,869,326)	(66,210,771)
Fair value, at the end of the year	73,810,506	63,708,755
	=====	=====

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

8. Insurance contract liabilities and re-insurance contract assets

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	<u>AED</u>	<u>AED</u>
Gross		
Insurance contract liabilities		
Claims reported unsettled	16,123,761	16,053,136
Claims incurred but not reported	3,600,000	3,600,000
Unearned premiums	<u>22,440,057</u>	<u>29,960,335</u>
Total insurance contract liabilities, gross	<u>42,163,818</u>	<u>49,613,471</u>
Recoverable from reinsurers		
Claims reported unsettled	9,044,537	4,558,941
Unearned premiums	<u>7,565,670</u>	<u>7,271,368</u>
Total reinsurers' share of insurance liabilities	<u>16,610,207</u>	<u>11,830,309</u>
Net		
Claims reported unsettled	7,079,224	11,494,195
Claims incurred but not reported	3,600,000	3,600,000
Unearned premiums	<u>14,874,387</u>	<u>22,688,967</u>
	<u>25,553,611</u>	<u>37,783,162</u>
	=====	=====

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

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, 2009			Year ended December 31, 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	AED	AED	AED	AED	AED	AED
Claims						
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 beginning of the year	19,653,136	(4,558,941)	15,094,195	19,223,274	(7,366,001)	11,857,273
Claims settled in the year	(38,223,256)	13,266,699	(24,956,557)	(31,562,520)	13,042,718	(18,519,802)
Increase in liabilities	<u>38,293,881</u>	<u>(17,752,295)</u>	<u>20,541,586</u>	<u>31,992,382</u>	<u>(10,235,658)</u>	<u>21,756,724</u>
Total at the end of the year	19,723,761	(9,044,537)	10,679,224	19,653,136	(4,558,941)	15,094,195
	=====	=====	=====	=====	=====	=====
Notified claims	16,123,761	(9,044,537)	7,079,224	16,053,136	(4,558,941)	11,494,195
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	19,723,761	(9,044,537)	10,679,224	19,653,136	(4,558,941)	15,094,195
	=====	=====	=====	=====	=====	=====
Unearned premium						
Total at the beginning of the year	29,960,335	(7,271,368)	22,688,967	23,731,309	(5,760,217)	17,971,092
Increase in the year	20,440,057	(7,565,670)	12,874,387	27,960,335	(7,271,368)	20,688,967
Release in the year	<u>(27,960,335)</u>	<u>7,271,368</u>	<u>(20,688,967)</u>	<u>(21,731,309)</u>	<u>5,760,217</u>	<u>(15,971,092)</u>
Net increase during the year (see Note 15)	<u>(7,520,278)</u>	<u>(294,302)</u>	<u>(7,814,580)</u>	<u>6,229,026</u>	<u>(1,511,151)</u>	<u>4,717,875</u>
Total at the end of the year	22,440,057	(7,565,670)	14,874,387	29,960,335	(7,271,368)	22,688,967
	=====	=====	=====	=====	=====	=====

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

9. Insurance and other receivables

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	<u>AED</u>	<u>AED</u>
Receivables arising from insurance and reinsurance contracts:		
Due from policy holders	5,947,864	15,003,320
Allowance for doubtful debts	(1,298,146)	(1,412,861)
	<u>4,649,718</u>	<u>13,590,459</u>
Notes receivables – Post dated cheques	2,144,640	1,812,064
Due from insurance companies	3,816,088	4,004,917
Due from reinsurance companies	<u>179,117</u>	<u>155,391</u>
	<u>6,139,845</u>	<u>5,972,372</u>
Other receivables:		
Prepayments and others	<u>2,651,017</u>	<u>1,661,314</u>
	<u>13,440,580</u>	<u>21,224,145</u>
	=====	=====

The average credit period is 90 days. Due from policyholders outstanding between 180 days and 365 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience in addition to specific provision made on identified customers.

Due from policyholders over 365 days amounted to AED 500,307 as of December 31, 2009 (2008: AED 1,683,654).

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 536,153 (2008: AED 1,935,810) is due from the Company's largest customer. There are 1 (2008: 4) other customers who represents more than 5% of the total balance of due from policy holders.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

9. Insurance and other receivables (continued)

Aging of due from policy holders:

	<u>2009</u>	<u>2008</u>
	AED	AED
Past due and impaired	<u>1,298,146</u>	<u>1,412,861</u>
Neither past due nor impaired	<u>2,202,789</u>	<u>8,016,574</u>
Past due but not impaired		
90 to 365 days	<u>1,946,622</u>	3,890,231
More than 365 days	<u>500,307</u>	<u>1,683,654</u>
	<u>2,446,929</u>	<u>5,573,885</u>
Total due from policy holders	<u>5,947,864</u>	<u>15,003,320</u>
	=====	=====
Movement in the allowance for doubtful debts:		
	<u>2009</u>	<u>2008</u>
	AED	AED
Balance, at the beginning of the year	<u>1,412,861</u>	1,505,982
Impairment loss recognised during the year	<u>51,842</u>	90,293
Written off	(<u>120,290</u>)	(101,405)
Amounts recovered during the year	(<u>46,267</u>)	(82,009)
Balance, at the end of the year	<u>1,298,146</u>	<u>1,412,861</u>
	=====	=====

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. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

10. Related party transactions

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

	December 31,	
	2009	2008
	AED	AED
Due from related parties:		
Al Kazim Real Estate, Dubai	2,784,042	2,717,602
Insurance Service Management, Dubai	4,059,528	5,356,536
Al Redah Insurance Brokers (LLC), Dubai	1,151,713	602,031
Other related parties	23,167	28,082
	8,018,450	8,704,251
Allowance for doubtful debts	(287,000)	-
	7,731,450	8,704,251
	=====	=====

The movement in the allowance for doubtful debts during the year was as follows:

	2009	2008
	AED	AED
Balance, at the beginning of the year	-	-
Impairment loss recognised during the year	287,000	-
Balance, at the end of the year	287,000	-
	=====	=====

	December 31,	
	2009	2008
	AED	AED
Due to related parties:		
Architectural Construction Team, Dubai	4,000	-
Al Kazim Furniture, Dubai	4,000	-
Other related parties	3,425	-
	11,425	-
	=====	=====

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

10. Related party transactions (continued)

Transactions:

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

	Year ended December 31,	
	2009	2008
	AED	AED
Insurance policies written for Director's companies	685,837	770,313
Management expenses (net)	1,068,402	2,306,351
Premiums written through a related party broker	8,195,464	8,777,134
Commission paid	923,613	1,038,590
Claims paid	550,300	784,355

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,	
	2009	2008
	AED	AED
Short-term benefits	1,114,798	2,370,320
Long-term benefits	75,000	75,000

11. Bank balances and cash

	December 31,	
	2009	2008
	AED	AED
Cash on hand	10,664	48,974
Bank balances:		
Current accounts	14,939,623	2,408,532
Call accounts	222,967	222,168
Fixed deposits	<u>13,885,611</u>	<u>11,482,438</u>
	29,058,865	14,162,112
	=====	=====

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

11. Bank balances and cash (continued)

Fixed deposits amounting to AED 10,000,000 (December 31, 2008: AED 7,500,000) are under lien with a bank against the guarantees issued in favour of Insurance Authority of U.A.E. in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of U.A.E. and AED 1,000,000 (December 31, 2008: AED 1,000,000) are under lien against the credit facility granted to the Company.

Bank balances and cash represents

	December 31,	
	2009	2008
	AED	AED
Within U.A.E.	28,887,708	13,991,753
Outside U.A.E.	171,157	170,359
	29,058,865	14,162,112
	=====	=====

12. Share capital

	December 31,	
	2009	2008
	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:

	2009	2008
	AED	AED
Balance, at the beginning of the year	1,279,184	1,147,736
Amounts charged to income	192,118	149,960
Amounts paid during the year	(101,361)	(18,512)
Balance, at the end of the year	1,369,941	1,279,184
	=====	=====

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

14. Insurance and other payables

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	AED	AED
Payables arising from insurance and reinsurance contracts:		
Trade payables	12,490,535	14,350,912
Due to insurance companies	5,122,048	4,045,950
Due to reinsurance companies	6,417,317	5,312,210
Premium reserve withheld	3,678,609	4,248,941
Other payables:		
Accrued expenses and others	<u>9,414,809</u>	<u>8,773,713</u>
	<u>37,123,318</u>	<u>36,731,726</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

	<u>Year ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
	AED	AED
Gross premium written		
Gross premium written	52,746,751	72,665,383
Change in unearned premium (see Note 8)	<u>7,520,278</u>	<u>(6,229,026)</u>
	<u>60,267,029</u>	<u>66,436,357</u>
Reinsurance premium ceded		
Reinsurance premium ceded	(20,145,297)	(20,343,384)
Change in unearned premium (see Note 8)	<u>294,302</u>	<u>1,511,151</u>
	<u>(19,850,995)</u>	<u>(18,832,233)</u>
Net insurance premium revenue	<u>40,416,034</u>	<u>47,604,124</u>
	=====	=====

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

16. Investment income/(loss)

	Year ended December 31,	
	2009	2008
	AED	AED
Investment income/(loss)		
Profit/(loss) on disposal of investments held for trading	6,481,675	(10,690,720)
Unrealised loss on investments held for trading	(2,999,659)	(50,874,022)
Impairment loss on available-for-sale investments	(18,557,908)	(37,858,555)
Income from available-for-sale investments	1,984,741	1,873,440
Dividends from investments:		
Available-for-sale	2,037,031	1,943,019
Held for trading	501,746	795,470
Income from investment property (see Note 6)	<u>17,289,126</u>	<u>16,850,132</u>
	6,736,752	(77,961,236)
	=====	=====

17. Profit/(loss) for the year

Profit/(loss) for the year has been arrived at after charging the following expenses:

	Year ended December 31,	
	2009	2008
	AED	AED
Staff costs	7,862,508	7,479,398
Depreciation of property and equipment	154,916	171,593

18. Basic earnings per share

	Year ended December 31,	
	2009	2008
Profit/(loss) for the year (in AED)	19,287,721	(63,055,497)
	=====	=====
Number of shares	140,000,000	140,000,000
	=====	=====
Basic earnings per share (in AED)	0.14	(0.45)
	=====	=====

Basic earnings per share is calculated by dividing the profit/(loss) for the year by the number of shares outstanding as of the end of the reporting period.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

19. Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include cash on hand and in bank net of fixed deposits in banks with maturity over three months. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	December 31,	
	2009	2008
	AED	AED
Bank balances and cash (see Note 11)	29,058,865	14,162,112
Fixed deposit under lien	(11,000,000)	(8,500,000)
	18,058,865	5,662,112
	=====	=====

20. Dividend per share

At the Board meeting held on February 3, 2010 the Board of Directors proposed a cash dividend of 10% amounting to AED 14,000,000 in respect of the year ended December 31, 2009. The above will be accounted for in the financial statements of the Company in the year ending December 31, 2010. This proposal is subject to the approval of the Shareholders.

21. Commitments and contingent liabilities

	December 31,	
	2009	2008
	AED	AED
Commitments for acquisition of investment property	1,680,383	6,585,734
Letters of guarantees	11,073,700	8,298,700

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.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

22. Insurance risk (continued)

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.

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.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

22. Insurance risk (continued)

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 end of reporting period.

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.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

22. Insurance risk (continued)

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

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	2009	2008
Motor	87%	80%
Non motor	65%	30%

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.

Concentration of Insurance risk

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

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

22. Insurance risk (continued)

Concentration of Insurance risk (continued)

The insurance risk before and after reinsurance in relation to the motor and non-motor insurance risk accepted is summarised below:

	Year ended December 31, 2009			Year ended December 31, 2008		
	Type of risk			Type of risk		
	Motor	Non-motor	Total	Motor	Non-motor	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Gross	7,632,217	29,996,769	37,628,986	7,398,033	31,538,658	38,936,691
Net	2,245,200	1,551,250	3,796,450	2,404,200	1,875,100	4,279,300

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 10.2 million for the year ended December 31, 2009 (2008: AED 13.9 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 62% (2008: 72%) 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.

The Company has gross commission earnings in 2009 of 51% (2008: 36.8%) of the net insurance profit. These commissions arise primarily from the reinsurance placements and are a consistent and recurring source of income.

Because of low risk retention in 36% volume of business and limited exposure in high retention areas like motor, the Company is comfortable to maintain a net loss ratio in the region of 50% - 55% and does not foresee any serious financial impact in the insurance net profit.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

23. Capital risk

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007, concerning formation of Insurance Authority of U.A.E. The Company manages its capital on a basis of 40% - 50% of its minimum regulatory capital position presented in the table below. Management considers the quantitative threshold of 40% - 50% 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,	
	2009	2008
	AED	AED
Total capital held	263,346,668	230,480,390
	=====	=====
Minimum regulatory capital	50,000,000	50,000,000
	=====	=====

The Insurance Authority of U.A.E. have announced the new minimum capital requirement of AED 100 million for insurance companies to be applicable by January 2013.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

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.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and financial liabilities are interest rate risk and equity price 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 assets and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments

December 31, 2009

Financial assets	Loans and receivables AED	Held for trading AED	Available for-sale AED	Total AED
Available-for-sale investments	-	-	52,193,990	52,193,990
Insurance and other receivables	13,440,580	-	-	13,440,580
Due from related parties	7,731,450	-	-	7,731,450
Investments held for trading	-	21,616,516	-	21,616,516
Bank balances and cash	<u>29,058,865</u>	<u>-</u>	<u>-</u>	<u>29,058,865</u>
Total financial assets	50,230,895	21,616,516	52,193,990	124,041,401
	=====	=====	=====	=====
Financial liabilities				At amortised cost AED
Insurance and other payables				37,123,318
Due to related parties				<u>11,425</u>
Total financial liabilities				37,134,743
				=====

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

24. Financial instruments (continued)

Categories of financial instruments (continued)

December 31, 2008

Financial assets	Loans and receivables	Held for trading	Available for-sale	Total
	AED	AED	AED	AED
Available-for-sale investments	-	-	38,038,335	38,038,335
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	<u>14,162,112</u>	<u>-</u>	<u>-</u>	<u>14,162,112</u>
Total financial assets	44,090,508	25,670,420	38,038,335	107,799,263
	=====	=====	=====	=====

Financial liabilities	At amortised cost
	AED
Insurance and other payables	<u>36,731,726</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, 2009

24. Financial instruments (continued)

Categories of financial instruments (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped 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 (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u> AED	<u>Level 2</u> AED	<u>Level 3</u> AED	<u>Total</u> AED
Financial assets at FVTPL				
Assets held for trading	21,616,516	-	-	21,616,516
Available-for-sale financial assets				
Quoted equities	48,925,240	-	-	48,925,240
Unquoted equities	<u>-</u>	<u>-</u>	<u>3,268,750</u>	<u>3,268,750</u>
	70,541,756	-	3,268,750	73,810,506
	=====	=====	=====	=====
	=			

There were no transfers between each of level during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

There are no movement in the fair value of financial assets categorised under level 3 from 2008, accordingly, no reconciliation has been provided.

Market risk

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

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 market risk.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

24. Financial instruments (continued)

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.

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 management 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.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

24. Financial instruments (continued)

Credit risk (continued)

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 does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

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 management, 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.

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 end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

24. Financial instruments (continued)

Liquidity risk (continued)

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

December 31, 2009

	Less than 30 days AED	30-90 days AED	90-180 days AED	After 180 days AED	Total AED
Financial assets					
Available-for-sale investments	-	-	-	52,193,990	52,193,990
Insurance and other receivables	2,460,029	4,553,956	4,697,899	1,728,696	13,440,580
Due from related parties	460,649	2,030,000	2,000,000	3,240,801	7,731,450
Investments held-for-trading	21,616,516	-	-	-	21,616,516
Bank balances and cash - non interest bearing	10,084,443	4,865,844	-	-	14,950,287
Bank balances and cash – interest bearing	-	-	3,885,611	10,222,967	14,108,578
	34,621,637	11,449,800	10,583,510	67,386,454	124,041,401
	=====	=====	=====	=====	=====
Financial liabilities					
Insurance and other payables	10,261,305	9,324,765	4,854,459	12,682,789	37,123,318
Due to related parties	11,425	-	-	-	11,425
	10,272,730	9,324,765	4,854,459	12,682,789	37,134,743
	=====	=====	=====	=====	=====

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

24. Financial instruments (continued)

Liquidity risk (continued)

December 31, 2008

	Less than 30 days AED	30-90 days AED	90-180 days AED	After 180 days AED	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					
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>14,230,517</u>	<u>36,731,726</u>
	=====	=====	=====	=====	=====

Interest risk

The Company's exposure to interest rate risk relates to its bank deposits. At December 31, 2009, bank deposits carried interest rate of 7.19% per annum (2008: 2.16% per annum).

If interest rates had been 50 basis points lower through out the year and all other variables were held constant, the Company's profit for the year ended December 31, 2009 and equity as at December 31, 2009 would decrease by approximately AED 69,428 (2008: decrease by AED 57,412).

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, 2009

24. Financial instruments (continued)

Equity price risk

Sensitivity analysis

At the reporting 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/comprehensive income would have increased/decreased by AED 7.4 million (2008: AED 6.4 million).

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the end of the reporting period.
- As at the reporting 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 other comprehensive income has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

25. Segment information

The Company is organised into two main business segments:

Underwriting of general insurance business incorporating all classes of general insurance including fire, marine, motor, general accident and miscellaneous.

Investments incorporating investments in U.A.E. marketable equity securities, term deposits with banks, investment properties, trading investments and other securities.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

25. Segment information (continued)

	<u>2009</u> Underwriting AED	<u>2009</u> Investments AED	<u>2009</u> Total AED	<u>2008</u> Underwriting AED	<u>2008</u> Investments AED	<u>2008</u> Total AED
Segment revenue	<u>52,746,751</u>	<u>-</u>	<u>52,746,751</u>	<u>72,665,383</u>	<u>-</u>	<u>72,665,383</u>
Segment result	<u>10,189,551</u>	<u>9,098,170</u>	<u>19,287,721</u>	13,885,659	(76,941,156)	(63,055,497)
Unallocated costs (net)			<u>-</u>			<u>-</u>
Net profit/(loss) for the year			<u>19,287,721</u>			(63,055,497)
Segment assets	<u>37,792,901</u>	<u>290,765,333</u>	<u>328,558,234</u>	41,758,765	244,691,193	286,449,958
Unallocated assets	<u>-</u>	<u>-</u>	<u>15,456,936</u>	<u>-</u>	<u>-</u>	<u>31,654,813</u>
Total assets	<u>37,792,901</u>	<u>290,765,333</u>	<u>344,015,170</u>	41,758,765	244,691,193	318,104,771
	=====	=====	=====	=====	=====	=====
Segment liabilities	<u>79,298,561</u>	<u>-</u>	<u>79,298,561</u>	86,345,197	-	86,345,197
Unallocated liabilities	<u>-</u>	<u>-</u>	<u>1,369,941</u>	<u>-</u>	<u>-</u>	<u>1,279,184</u>
Total liabilities	<u>79,298,561</u>	<u>-</u>	<u>80,668,502</u>	86,345,197	-	87,624,381
	=====	=====	=====	=====	=====	=====

There are no transactions between the business segments.

Notes to the Financial Statements (continued)
For the Year Ended December 31, 2009

26. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on February 3, 2010.