

**AL-SAGR NATIONAL INSURANCE COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AND ITS SUBSIDIARY
DUBAI - UNITED ARAB EMIRATES**

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

**Al-Sagr National Insurance Company
(Public Shareholding Company) and its Subsidiary
Dubai - United Arab Emirates**

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

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Independent Auditor's Report

The Shareholders

**Al-Sagr National Insurance Company
(Public Shareholding Company)
Dubai, United Arab Emirates**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Al-Sagr National Insurance Company (Public Shareholding Company) - Dubai, United Arab Emirates** ("the Company") and its **Subsidiary** (collectively the "Group"), which comprise the consolidated statement of financial position as of December 31, 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

cont'd....

Independent Auditor's Report to the Shareholders of Al-Sagr National Insurance Company (Public Shareholding Company) and its Subsidiary – Dubai - continued (page 2 of 2)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Al-Sagr National Insurance Company (Public Shareholding Company), Dubai** and its Subsidiary, as of December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matters

Without qualifying our opinion, we draw attention to:

- 1) Note 8 to the consolidated financial statements; The Group's subsidiary, Al Sagr Saudi Insurance Company, discontinued its operations with effect from December 28, 2008 as instructed by the Saudi Arabian Monetary Agency ("SAMA"). Consequently, the results of operations of the subsidiary for the period from January 1, 2008 to December 28, 2008 were not consolidated. The assets and liabilities of the subsidiary will be transferred to a newly formed company, Al Sagr Co-operative Insurance Company, in which the Group holds 26% ownership, upon completion of the valuation procedures required by SAMA.
- 2) Note 28 (b) to the consolidated financial statements regarding the sale by the Group, during the year ended December 31, 2009, of its investment property at Dubai Silicon Oasis at an agreed price of AED 63 million to a related party.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account. 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 Insurance Authority, or the Company's Articles of Association which might have materially affected the financial position of the Company or the results of its operations.

Dubai
March 29, 2010

Deloitte & Touche (M.E.)



Anis F. Sadek
Registration No. 521

**Al-Sagr National Insurance Company
(Public Shareholding Company) and its Subsidiary
Dubai - United Arab Emirates**

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

	<u>Note</u>	<u>2009</u>	<u>2008</u>
ASSETS			
Non-current assets			
Property and equipment	5	4,998,969	2,636,398
Investment property	6	210,840,052	170,753,779
Investment in associates	7	51,387,436	51,584,294
Investment in subsidiary - discontinued operation	8	23,290,575	23,290,575
Held-to-maturity investments	9	7,953,898	7,945,519
Available-for-sale investments	9	109,380	625,000
Total non-current assets		298,580,310	256,835,565
Current assets			
Reinsurance contract assets	10	188,707,871	200,454,733
Insurance and other receivables	11	222,711,402	242,491,566
Due from related parties	28	202,831,608	4,071,383
Held for trading investments	9	89,831,612	340,117,304
Bank balances and cash	12	277,469,392	206,754,415
Total current assets		981,551,885	993,889,401
Total Assets		1,280,132,195	1,250,724,966

Al-Sagr National Insurance Company
(Public Shareholding Company) and its Subsidiary
Dubai - United Arab Emirates

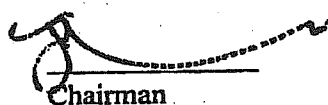
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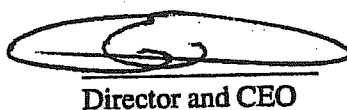
Consolidated Statement of Financial Position (continued)
At December 31, 2009
(In Arab Emirates Dirhams)

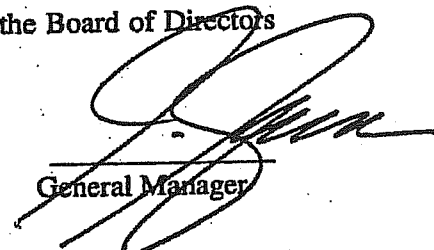
	<u>Note</u>	<u>2009</u>	<u>2008</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	230,000,000	200,000,000
Statutory reserve	14	46,953,554	43,813,683
General reserve	15	200,000,000	150,000,000
Investments revaluation reserve	16	(73,440)	110,000
Retained earnings		<u>120,159,195</u>	<u>173,920,318</u>
Equity attributable to equity holders of the parent		597,039,309	567,844,001
Non-controlling interests	17	<u>4,933,028</u>	<u>-</u>
Total Equity		<u>601,972,337</u>	<u>567,844,001</u>
Non-current liabilities			
Due to related parties	28	11,767,715	11,904,068
Provision for employees' end of service indemnity	18	9,451,420	7,809,448
Bank borrowings – non-current	19	<u>-</u>	<u>61,520,745</u>
Total non-current liabilities		<u>21,219,135</u>	<u>81,234,261</u>
Current liabilities			
Insurance contract liabilities	10	346,338,267	360,838,371
Bank borrowings – current	19	136,929,407	87,738,535
Insurance and other payables	20	115,120,896	123,948,371
Advances from related parties	21 & 28(d)	<u>58,552,153</u>	<u>29,121,427</u>
Total current liabilities		<u>656,940,723</u>	<u>601,646,704</u>
Total Liabilities		<u>678,159,858</u>	<u>682,880,965</u>
Total Equity and Liabilities		<u>1,280,132,195</u>	<u>1,250,724,966</u>

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

The consolidated financial statements on pages 3 to 73 were approved by the Board of Directors and authorized for issue on March 29, 2010.


Chairman


Director and CEO


General Manager

Al-Sagr National Insurance Company
(Public Shareholding Company) and its Subsidiary
Dubai - United Arab Emirates

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Consolidated Statement of Income
For the year ended December 31, 2009
(In Arab Emirates Dirhams)

	<u>Note</u>	<u>Year ended December 31, 2009</u>	<u>Year ended December 31, 2008</u>
Gross insurance premium revenue		446,058,061	457,430,851
Less: Insurance premium ceded to reinsurers		(187,093,529)	(214,065,466)
Net premium revenue		258,964,532	243,365,385
Net changes in unearned premium	10	<u>16,764,360</u>	(31,226,375)
Net insurance premium revenue		<u>275,728,892</u>	<u>212,139,010</u>
Gross claims settled	10	(355,223,713)	(426,779,241)
Insurance claims recovered from reinsurers	10	<u>108,227,326</u>	<u>270,666,984</u>
Net claims settled	10	(246,996,387)	(156,112,257)
Net changes in outstanding claims		<u>268,970</u>	(17,935,370)
Net claims incurred	10	(246,727,417)	(174,047,627)
Gross commissions earned and documentation fees		72,909,931	81,691,421
Less: Commissions incurred		(35,666,904)	(37,117,777)
Net commissions earned and documentation fees		<u>37,243,027</u>	<u>44,573,644</u>
Underwriting profit		66,244,502	82,665,027
General and administrative expenses relating to underwriting activities		(27,307,962)	(23,956,144)
Net underwriting profit		38,936,540	58,708,883
Investment revenue - net	22	11,025,415	13,918,966
Net share of (loss)/profit from associates	7	(496,858)	624,294
Loss on disposal of held for trading securities to a related party	28(c)	(9,240,301)	-
Gain on disposal of investment property	28(b)	39,207,454	-
Net loss on revaluation of investment Properties	6	(34,237,411)	-
Finance costs		(9,520,292)	(5,869,752)
Other income - net	23	1,159,875	899,438
Unallocated general and administrative expenses		(6,782,650)	(5,989,036)
Profit for the year from continuing activities		<u>30,051,772</u>	<u>62,292,793</u>

**Al-Sagr National Insurance Company
(Public Shareholding Company) and its Subsidiary
Dubai - United Arab Emirates**

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**Consolidated Statement of Income (continued)
For the year ended December 31, 2009
(In Arab Emirates Dirhams)**

	<u>Note</u>	<u>Year ended December 31, 2009</u>	<u>Year ended December 31, 2008</u>
Profit for the year from continuing activities		30,051,772	62,292,793
Discontinued operations:			
Profit for the year from discontinued operations	8	<u>-</u>	<u>4,844,968</u>
Net profit for the year	24	<u>30,051,772</u>	<u>67,137,761</u>
Attributable to:			
Equity holders of the parent		30,267,012	67,137,761
Non-controlling interest		<u>(215,240)</u>	<u>-</u>
		<u>30,051,772</u>	<u>67,137,761</u>
Basic earnings per share	25	<u>0.13</u>	<u>0.29</u>

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

**Al-Sagr National Insurance Company
(Public Shareholding Company) and its Subsidiary
Dubai - United Arab Emirates**

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**Consolidated Statement of Comprehensive Income
For the year ended December 31, 2009
(In Arab Emirates Dirhams)**

	<u>Note</u>	<u>Year ended December 31, 2009</u>	<u>Year ended December 31, 2008</u>
Net profit for the year		<u>30,051,772</u>	<u>67,137,761</u>
Other comprehensive loss			
Board of Directors' remuneration paid	13	(900,000)	(750,000)
Loss on revaluation of available-for-sale investments	9(b)	(73,440)	(2,475,000)
Total other comprehensive loss		<u>(973,440)</u>	<u>(3,225,000)</u>
Total comprehensive income for the year		<u><u>29,078,332</u></u>	<u><u>63,912,761</u></u>
Total comprehensive income attributable to:			
Equity holders of the parent		29,305,308	63,912,761
Non-controlling interests		(226,976)	-
		<u><u>29,078,332</u></u>	<u><u>63,912,761</u></u>

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

**Al-Sagr National Insurance Company
(Public Shareholding Company) and its Subsidiary
Dubai - United Arab Emirates**

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**Consolidated Statement of Changes in Shareholders' Equity
For the year ended December 31, 2009
(In Arab Emirates Dirhams)**

	Share capital	Statutory reserve	General reserve	Investments revaluation reserve	Retained earnings	Attributable to equity holders of parent	Non- Controlling interest	Total
Balance at December 31, 2007	100,000,000	37,099,907	100,000,000	2,585,000	214,246,333	453,931,240	18,445,607	472,376,847
Net profit for the year	-	-	-	-	67,137,761	67,137,761	-	67,137,761
Other comprehensive loss	-	-	-	(2,475,000)	(750,000)	(3,225,000)	-	(3,225,000)
Total comprehensive income for the year	-	-	-	(2,475,000)	66,387,761	63,912,761	-	63,912,761
Non-controlling interest on discontinued Operations (Note 17)	-	-	-	-	-	-	(18,445,607)	(18,445,607)
Issue of bonus shares	50,000,000	-	-	-	(50,000,000)	-	-	-
Rights issue of shares	50,000,000	-	-	-	-	50,000,000	-	50,000,000
Transfer to statutory reserve	-	6,713,776	-	-	(6,713,776)	-	-	-
Transfer to general reserve (Note 15)	-	-	50,000,000	-	(50,000,000)	-	-	-
Balance at December 31, 2008	200,000,000	43,813,683	150,000,000	110,000	173,920,318	567,844,001	-	567,844,001
Net profit for the year	-	-	-	-	30,267,012	30,267,012	(215,240)	30,051,772
Other comprehensive loss	-	-	-	(73,440)	(888,264)	(961,704)	(11,736)	(973,440)
Total comprehensive income for the year	-	-	-	(73,440)	29,378,748	29,305,308	(226,976)	29,078,332
On acquisition of subsidiary (Note 27)	-	-	-	-	-	-	5,160,004	5,160,004
Transfer out from reserve on disposal of available for sale investments	-	-	-	(110,000)	-	(110,000)	-	(110,000)
Issue of bonus shares (Note 13)	30,000,000	-	-	-	(30,000,000)	-	-	-
Transfer to statutory reserve	-	3,139,871	-	-	(3,139,871)	-	-	-
Transfer to general reserve (Note 15 & 13)	-	-	50,000,000	-	(50,000,000)	-	-	-
Balance at December 31, 2009	230,000,000	46,953,554	200,000,000	(73,440)	120,159,195	597,039,309	4,933,028	601,972,337

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

Consolidated 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
Cash flows from operating activities		
Net profit for the year	30,051,772	67,137,761
Adjustments for:		
Depreciation of property and equipment	1,569,399	642,636
Allowance for doubtful debts	3,104,400	2,000,000
Investment revenue	(18,927,596)	(42,410,048)
Decrease in reinsurance contract assets	22,017,964	147,607,673
Decrease in insurance contract liabilities	(39,051,294)	(98,445,930)
Net loss on revaluation of held for trading investments	17,142,482	29,995,473
Loss on revaluation of investment properties	34,237,411	-
Provision for employees' end of service indemnity	1,821,722	2,504,902
Gain on disposal of investment property	(39,207,454)	-
Share of loss/(gain) from associates	496,858	(624,294)
Profit from discontinued operations	-	(4,844,968)
Finance costs	<u>9,520,292</u>	<u>5,869,752</u>
Operating cash flows before movements in working capital	22,775,956	109,432,957
Increase in fixed deposits with banks	(50,011,781)	(12,271,348)
Increase/(decrease) in insurance and other receivables	24,032,389	(68,896,965)
(Decrease)/increase in insurance and other payables	(15,948,542)	19,456,009
Increase in advances from related parties	<u>51,706,153</u>	<u>29,121,427</u>
Cash generated from operations	32,554,175	76,842,080
Interest paid	(9,520,292)	(5,869,752)
Employees' end of service indemnity paid	<u>(179,750)</u>	<u>(222,691)</u>
Net cash from operating activities	<u>22,854,133</u>	<u>70,749,637</u>
Cash flows from investing activities		
Additions to investment property	(51,197,616)	(141,609,260)
Proceeds from sale of investments in securities	118,667,446	243,261,114
Proceeds from sale of available for sale investments	625,000	-
Purchase of investments in securities	(74,187,447)	(404,393,300)
Addition in held to maturity investments	(8,379)	-
Investments in associates	(300,000)	-
Purchase of property and equipment	(3,615,909)	(1,833,071)
Acquisition of a subsidiary, net of cash acquired (Note 27)	11,864,509	-
Interest received	11,980,220	8,418,288
Dividends received	4,086,502	5,226,795
Receipt from an associate	<u>-</u>	<u>1,960,000</u>
Net cash from/(used in) investing activities	<u>17,914,326</u>	<u>(288,969,434)</u>

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

Consolidated Statement of Cash Flows (continued)
For the year ended December 31, 2009
(In Arab Emirates Dirhams)

	Year ended December 31, 2009	Year ended December 31, 2008
Cash flows from financing activities		
Net increase in share capital	-	50,000,000
Net increase in due from related parties	(6,835,390)	(3,351,006)
Directors' remuneration paid	(900,000)	(750,000)
(Decrease)/increase in bank borrowings	(<u>12,329,873</u>)	<u>140,451,298</u>
Net cash (used in)/from financing activities	(<u>20,065,263</u>)	<u>186,350,292</u>
Net increase/(decrease) in cash and cash equivalents	20,703,196	(31,869,505)
Cash and cash equivalents at the beginning of the year	2,741,310	38,798,948
Adjustment for the cash and cash equivalent of discontinued operation included in the beginning balance	<u>-</u>	(<u>4,188,133</u>)
Cash and cash equivalents at the end of the year (Note 26)	<u>23,444,506</u>	<u>2,741,310</u>
 Non-cash transactions:		
Sale of investments held for trading to a related party [Note 28 (c)]	<u>192,061,188</u>	-
Sale and reinvestment of investment property [Note 28 (b)]	<u>41,368,647</u>	-
Advance from a related party [Note 28 (b)]	<u>22,275,427</u>	-

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

**Notes to the Consolidated Financial Statements
For the year ended December 31, 2009**

1. General Information

Al-Sagr National Insurance Company, Dubai (the "Company") was incorporated on December 25, 1979 as a public shareholding company by an Emiri Decree from His Highness, The Ruler of Dubai, and is registered with the Ministry of Economy of the United Arab Emirates under registration No. (16). The Company's address in Dubai is P.O. Box 14614, Dubai, U.A.E.

The principal activity of the Company is the writing of insurance of all types. The Company operates through its Head Office in Dubai and its branches in Dubai, Sharjah, Abu Dhabi and Ajman in the U.A.E.

The Company also operated in Kingdom of Saudi Arabia under the name of Al-Sagr Saudi Insurance Company (a Bahraini shareholding closed exempt company) and in which the Company owned 50% of its capital. This subsidiary discontinued operations in Kingdom of Saudi Arabia effective from December 28, 2008 (Note 8).

Under the new Co-operative insurance regulations promulgated in the Kingdom of Saudi Arabia by a Royal decree number M/32 dated 2/6/1424 (July 31, 2003), insurance activities shall be undertaken through registered companies operating in a co-operative manner. No insurance or re-insurance company may be incorporated in the Kingdom without a license issued by Royal Decree provided that it will be operating as a public joint stock company and having a minimum paid up capital of SR 100 million. Accordingly, the Company was required to obtain a license to practice its insurance activities in the Kingdom of Saudi Arabia.

During 2004, the shareholders of the Company had submitted an application for the insurance license with SAMA under a new company, namely "Al Sagr Co-operative Insurance Company", in which the Company holds 26% ownership. This company obtained its license from the regulatory authorities in the Kingdom of Saudi Arabia during 2007 and has been registered under commercial registration number 1010243765 dated Muharram 26, 1429 (February 4, 2008).

The consolidated financial statements incorporate the financial statements of Al Sagr National Insurance Company PSC (the "Company") and its subsidiary (together the "Group"). Details of the subsidiary are as follows:

<u>Company name</u>	<u>Activity</u>	<u>Country of Incorporation</u> %	<u>Ownership held</u> %
Jordan Emirates Insurance Company PSC	Underwriting of insurance of all types	Jordan	84.02%

The above subsidiary was acquired on June 30, 2009 (See Note 27).

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

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

2.1 Standards affecting presentation and disclosures

The following new and revised Standards have been adopted in the current period in these consolidated financial statements. Details of other Standards and Interpretations adopted but that have had no effect on the consolidated financial statements are set out in Section 2.2.

- *IAS 1 (as revised in 2007)
Presentation of Financial
Statements* 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.
- *Improving disclosures about
Financial Instruments
(Amendments to IFRS 7
Financial Instruments:
Disclosures)* The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
- *IFRS 8: Operating Segments* IFRS 8 is a disclosure Standard that requires re-designation of the Group's reportable segments based on the segments used by the "Chief Operating Decision Maker" to allocate resources and assess performance.

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 consolidated financial statements. Their adoption has not had any significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

- *Amendments to IFRS 2: Share-
based Payment - Vesting
Conditions and Cancellations* 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.

**Notes to the Consolidated 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 - continued

- | | |
|---|--|
| <ul style="list-style-type: none"> • IAS 23 (as revised in 2007)
<i>Borrowing Costs</i> | <p>The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these consolidated financial statements because it has always been the Group's accounting policy to capitalize borrowing costs incurred on qualifying assets.</p> |
| <ul style="list-style-type: none"> • Amendments to IAS 32:
<i>Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> | <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> |
| <ul style="list-style-type: none"> • IFRIC 13: <i>Customer Loyalty Programmes</i> | <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> |
| <ul style="list-style-type: none"> • IFRIC 16: <i>Hedges of a Net Investment in a Foreign Operation</i> | <p>The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.</p> |
| <ul style="list-style-type: none"> • Improvements to IFRSs (2008) | <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, IAS 40 and IAS 41 resulting from the May and October 2008 <i>Annual Improvements to IFRSs</i> majority of which are effective for annual periods beginning on or after January 1, 2009.</p> |

**Notes to the Consolidated 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 consolidated financial statements, the following Standards and Interpretations were in issue but not yet adopted:

New Standards and amendments to Standards:

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

**Notes to the Consolidated 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

Others Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 38 and IAS 39 resulting from April 2009 Annual Improvements to IFRSs (Majority effective for annual periods beginning on or after January 1, 2010);

New Interpretations and amendments to Interpretations

- IFRIC 9 Amendment to IFRIC 9 (revised): *Reassessment of Embedded Derivatives* relating to assessment of embedded derivatives in case of reclassification of financial assets out of the FVTPL category (effective for annual periods beginning on or after July 1, 2009);
- IFRIC 14 *Amendment to IFRIC 14: IAS 19 The limit on a defined Benefit Asset - Minimum Funding Requirement and their interaction* (effective for annual periods beginning on or after January 1, 2011);
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* - The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations interaction (effective for annual periods beginning on or after July 1, 2009);
- IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective for annual periods beginning on or after July 1, 2009);
- IFRIC 18 *Transfers of Assets from Customers* - The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18: *Revenue* (adopted in advance of effective date of transfers of assets from customers received on or after July 1, 2009); and
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after July 1, 2010).

Management anticipates that these amendments will be adopted in the Group's consolidated financial statements for the period beginning January 1, 2010 or as and when they are applicable. Management has not yet had an opportunity to consider the potential impact of the adoption of these amendments and revised standards.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of U.A.E. Federal Law No. 6 of 2007, concerning Insurance Authority.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and the entities controlled by the Company (its subsidiary) (the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of entities so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to effective date of disposal, as appropriate.

Where necessary, adjustments are made to the consolidated financial information of a subsidiary to bring the accounting policies in line with those used by the parent company.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies

Basis of consolidation (continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies (continued)

Insurance contracts

Definition

The Group 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

These contracts are casualty and property insurance contracts.

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

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

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

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies (continued)

Insurance contracts - continued

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group 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 Group under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts held are recognized 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 recognized as an expense when due. The Group assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Group reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Group and still unpaid at the balance sheet date, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the balance sheet date and is estimated using the 1/24th method. The unearned premium calculated by the above method (after reducing the reinsurance share) complies with the minimum unearned premium amounts to be maintained using the 25% and 40% method for marine and non-marine business respectively, as required by U.A.E. Federal Law No. 6 of 2007, concerning Insurance Authority. The unearned premium calculated by the 1/24th method accounts for the estimated acquisition costs incurred by the Group 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 consolidated financial statements.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies (continued)

Insurance contracts - continued

Recognition and measurement (continued)

Deferred policy acquisition costs

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

Salvage and subrogation reimbursements

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

Liability adequacy test

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

Receivables and payables related to insurance contracts

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

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

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies (continued)

Revenue recognition

Insurance contract income

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these consolidated 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 recognized when the Shareholders' rights to receive payment have been established.

Rental income

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

General and administrative expenses

Twenty percent of the Company's general and administrative expenses for the year are allocated to insurance departments in proportion to each department's share of written premiums.

Foreign currencies

The consolidated financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the consolidated 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 consolidated financial statements.

**Notes to the Consolidated 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 individual entities, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 recognized 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 recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in AED using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in consolidated statement of comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs are recognised in the consolidated statement of income in the period in which they are incurred.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies (continued)

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated 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 the 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 recognized in the consolidated statement of income.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Where an entity undertakes its activities under joint venture arrangements directly, the entity's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the entity's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the entity and their amount can be measured reliably.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies (continued)

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in consolidated statement of income in the period in which they arise

Impairment of tangible assets

At each financial position date, the Group 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 Group 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 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 recognized immediately in consolidated statement of income, 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 recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of income, 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.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies (continued)

Provisions

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

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

Financial assets

Financial assets are classified into the following specified categories: available-for-sale investments, held-to-maturity investments and investments held for trading are classified as 'investments'. Insurance and other receivables, and bank balances and cash classified as are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Cash and cash equivalents

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

Insurance and other receivables

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

Effective interest method

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.

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

Investments

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

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies (continued)

Financial assets - continued

Financial assets at FVTPL

Financial assets are classified as at FVTPL where 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:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 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 Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- 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 resultant gain or loss recognised in consolidated statement of income. The net gain or loss recognised in consolidated statement of income incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies (continued)

Financial assets - continued

AFS financial assets

Unlisted shares and listed shares held by the Group traded in an active market are classified as being available for sale and are stated at fair value. Gains and losses arising from the changes in the fair value are recognized directly in the equity in the investments revaluation reserve with the exception of impairment losses. Where the investment is disposed off or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in consolidated statement of income.

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

Impairment of financial assets

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

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

Fair value of financial instruments

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

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

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

3. Significant accounting policies (continued)

Financial assets - continued

Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group 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 Group

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 Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Insurance and other payables, bank borrowings and due to related parties are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Dividend distribution

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

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

4. Critical accounting judgments and key sources of estimation uncertainty

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

Critical accounting judgements

Classification of investments

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

The Group classifies investments as FVTPL - held for trading if they are acquired primarily for the purpose of making a short term profit by the dealers. The Group classifies investments held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. 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.

Impairment of financial assets

The Group determines whether available for sale equity financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgment. In making this judgment and to record whether impairment occurred, the Group 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.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

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

Critical accounting judgements - continued

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 Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the financial position date and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the financial position date. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group 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.

Note 31, claims development process, present the development of the estimate of ultimate claim cost for claims notified in a given year. This gives an indication of the accuracy of the Group's estimation technique for claims payments.

Key sources of estimation uncertainty

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 Group 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 recognized as an expense in the consolidated statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the consolidated statement of income at the time of collection.

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group 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 consolidated statement of income.

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

5. Property and equipment

	Office improvement AED	Furniture and equipment AED	Motor vehicles AED	Total AED
Cost				
At December 31, 2007	1,759,946	2,976,203	413,855	5,150,004
Additions	149,125	1,683,946	-	1,833,071
Disposals	-	(518,000)	(5,300)	(523,300)
Discontinued operations (Note 8)	(435,081)	(664,540)	(138,155)	(1,237,776)
At December 31, 2008	1,473,990	3,477,609	270,400	5,221,999
Acquisition of subsidiary (Note 27)	-	388,186	-	388,186
Additions	557,082	2,600,713	458,114	3,615,909
Disposals	-	(151,687)	-	(151,687)
At December 31, 2009	<u>2,031,072</u>	<u>6,314,821</u>	<u>728,514</u>	<u>9,074,407</u>
Accumulated depreciation				
At December 31, 2007	927,957	1,621,186	337,716	2,886,859
Charge for the year	178,858	459,927	3,851	642,636
Eliminated on disposal	-	(518,000)	(5,300)	(523,300)
Discontinued operations (Note 8)	(169,282)	(176,962)	(74,350)	(420,594)
At December 31, 2008	937,533	1,386,151	261,917	2,585,601
Acquisition of subsidiary (Note 27)	-	72,125	-	72,125
Charge for the year	254,385	1,088,649	226,365	1,569,399
Eliminated on disposal	-	(151,687)	-	(151,687)
At December 31, 2009	<u>1,191,918</u>	<u>2,395,238</u>	<u>488,282</u>	<u>4,075,438</u>
Carrying amount				
At December 31, 2009	<u>839,154</u>	<u>3,919,583</u>	<u>240,232</u>	<u>4,998,969</u>
At December 31, 2008	<u>536,457</u>	<u>2,091,458</u>	<u>8,483</u>	<u>2,636,398</u>

At December 31, 2009, the cost of fully depreciated property and equipment that was still in use amounted to AED 1,631,531 (2008: AED 1,753,829).

The useful life used in the calculation of depreciation for all assets is 3 to 4 years.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

6. Investment property

	<u>2009</u> AED	<u>2008</u> AED
Investment property under construction:		
At the beginning of the year	110,954,008	29,144,519
Additions during the year	92,566,263	81,809,489
Disposals during the year [Note 28(b)]	(24,436,620)	-
Cost, at the end of the year	<u>179,083,651</u>	<u>110,954,008</u>
Investment property:		
At the beginning of the year	59,799,771	-
Acquisition of subsidiary (Note 27)/additions during the year	<u>6,194,041</u>	<u>59,799,771</u>
Cost, at the end of the year	<u>65,993,812</u>	<u>59,799,771</u>
Total cost	245,077,463	170,753,779
Net loss on revaluation of investment properties	(34,237,411)	-
	<u>210,840,052</u>	<u>170,753,779</u>

The valuation of investment properties have been carried by independent valuers at the year end.

The Group has certain assets which are jointly controlled with Gulf General Investment Company (GGICO) on 3 projects whose details are as follows:

- (i) A 10% ownership share in Meydan Tower, a property located in Dubai. The Group has contributed AED 152,960,000 as at December 31, 2009 (2008: AED 67,840,000). The 10% ownership is held in the name of GGICO on trust and for the benefit of the Group and amounted to AED 199,570,000 for which the remaining share of AED 46,610,000 is a commitment to GGICO (Note 29).
- (ii) A 50% ownership share in the purchase of a plot of land in Al Barsha. The Group has fully contributed for its 50% ownership amounting to AED 41,277,411 as at December 31, 2009. The land is registered in the name of the Group.
- (iii) A 30% ownership share in the purchase of 4 plots of land at Emirates Industrial City. The Group has fully contributed for its 30% ownership amounting to AED 18,522,360 as at December 31, 2009. The 30% ownership is held in the name of GGICO on trust and for the benefit of the Group.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

7. Investments in associates

	December 31,	
	2009	2008
	AED	AED
Al Sagr Cooperative Insurance Company, Kingdom of Saudi Arabia [Note 7 (i)]	50,993,427	51,584,294
Green Air Technology [Note 7 (ii)]	244,009	-
Sogour Al Khaleej General Trading [Note 7 (iii)]	150,000	-
	51,387,436	51,584,294

Details of the Group's associates at December 31, 2009 are as follows:

Company name	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
		%	%	
Al Sagr Cooperative Insurance Company	Kingdom of Saudi Arabia	26	26	Insurance and reinsurance
Green Air Technology L.L.C.	United Arab Emirates	50	50	General trading
Sogour Al Khaleej General Trading Company	United Arab Emirates	50	50	General trading

Summarised financial information in respect of the Group's associates is set out below:

	December 31,	
	2009	2008
	AED	AED
i) Al Sagr Cooperative Insurance Company:		
Total assets	210,376,070	203,854,793
Total liabilities	(14,247,503)	(5,453,664)
Net assets	196,128,567	198,401,129
Share of associate's net assets	50,993,427	51,584,294

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

7. Investments in associates (continued)

i)	Year ended December 31,	
	2009	2008
	AED	AED
Commission income	4,192,552	10,228,819
(Loss)/profit for the year	(2,272,562)	2,401,130
Share of associate's (loss)/profit for the year	(590,867)	624,294
ii) Green Air Technology:		
Total assets	15,991,520	-
Total liabilities	(15,503,502)	-
Net assets	488,018	-
Share of associate's net assets	244,009	-
Sales	2,643,788	-
Profit for the year	188,018	-
Share of associate's profit for the year	94,009	-

The Group holds 50% ownership in Green Air Technology LLC which commenced its commercial operations in the current year. The remaining 50% ownership is owned equally by GGICO and the CEO of Al-Sagr National Insurance Company. The 50% share of the Group is registered in the name of GGICO on behalf and for the benefit of the Group.

- iii) The Group holds 50% ownership in Sogour Al Khaleej General Trading LLC. The remaining 50% ownership is owned by GGICO, a related party. Sogour Al Khaleej General Trading Company has not commenced its commercial operations as at end of the year.

Although, the Group holds 50% in 2 associates, these are controlled by GGICO. The Group does not participate in the financial and operating policy decisions of these associates. Consequently, these companies are not treated as subsidiaries.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

8. Investments in subsidiary - discontinued operations

Discontinued operations of the Al Sagr Saudi Insurance Company

Following is the movement of investment in subsidiary - discontinued operation:

	December 31,	
	2009	2008
	AED	AED
Balance at beginning of the year	23,290,575	18,445,607
Profit during the year	-	4,844,968
Balance at the end of the year	23,290,575	23,290,575

The operations of the Group's subsidiary, Al Sagr Saudi Insurance Company, were discontinued with effect from December 28, 2008. The assets and liabilities of the Al Sagr Saudi Insurance Company will be transferred to the newly formed company, Al-Sagr Co-operative Insurance Company (referred as "Al Sagr Co-operative") in which the Group holds 26% ownership upon completion of the valuation procedures instructed by the Saudi Arabian Monetary Agency.

Al Sagr Co-operative started its insurance operations on January 1, 2009 and is in the process of transferring the insurance portfolio and the net assets of Al Sagr Saudi Insurance Company to Al Sagr Co-operative with effect from January 1, 2009. As the process to transfer the insurance portfolio and the net assets has not been completed yet, the management did not prepare the statement of financial position for insurance operations as of December 31, 2009, statement of insurance operations and statement insurance cash flow for the period then ended, pending the approval from respective regulatory parties. Accordingly, the Group's share of profit / loss from insurance operation of Al Sagr Co-operative, which management considers to be immaterial, is not included within the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

8. Investments in subsidiary - discontinued operations (continued)

Analysis of profit for the year from discontinued operations

The results of the discontinued operations included in the consolidated statement of income are set out below:

	Year ended December 31,	
	2009	2008
	AED	AED
Net insurance premium revenue	-	76,944,118
Net claims incurred	-	(56,221,921)
Net commission earned and documentation fees	-	1,027,135
Underwriting profit	-	8,884,091
Profit for the year	-	4,844,968

9. Investments in securities

	December 31,	
	2009	2008
	AED	AED
Held for trading investments	89,831,612	340,117,304
Available-for-sale investments	109,380	625,000
Held-to-maturity investments	7,953,898	7,945,519
	97,894,890	348,687,823

Held to maturity investments include an investment in fund with a related party amounting to AED 3,453,898 (2008: AED 3,445,519).

All investments in securities are held within U.A.E. except for held for trading and available-for-sale investments amounting to AED 448,915 and AED 109,380, respectively, which are held by the subsidiary, Jordan Insurance Company PJSC, in Jordan.

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

9. Investments in securities (continued)

Following are the movement of investments in securities during the year:

	<u>2009</u> AED	<u>2008</u> AED
a) Held for trading investments:		
Fair value, at the beginning of the year	340,117,304	183,776,329
Net (disposals)/additions during the year	(233,790,313)	186,336,448
Resulting from acquisition of subsidiary (Note 27)	647,103	-
Decrease in fair value	(17,142,482)	(29,995,473)
Fair value, at the end of the year	<u><u>89,831,612</u></u>	<u><u>340,117,304</u></u>
b) Available-for-sale investments:		
Fair value, at the beginning of the year	625,000	3,100,000
Disposals during the year	(625,000)	-
Resulting from acquisition of subsidiary (Note 27)	182,820	-
Decrease in fair value	(73,440)	(2,475,000)
Fair value, at the end of the year	<u><u>109,380</u></u>	<u><u>625,000</u></u>
c) Held-to-maturity investments:		
Cost, at the beginning of the year	7,945,519	4,384,816
Net additions during the year	<u>8,379</u>	<u>3,560,703</u>
Cost, at the end of the year	<u><u>7,953,898</u></u>	<u><u>7,945,519</u></u>

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

10. Insurance contract liabilities and reinsurance contract assets

	December 31,	
	2009	2008
	AED	AED
Gross		
Insurance contract liabilities		
Claims reported unsettled	184,762,336	165,043,466
Claims incurred but not reported	7,831,100	6,500,000
Unearned premiums	<u>153,744,831</u>	<u>189,294,905</u>
Total insurance contract liabilities (gross)	<u>346,338,267</u>	<u>360,838,371</u>
Recoverable from reinsurers		
Claims reported unsettled	126,742,064	114,165,174
Unearned premiums	<u>61,965,807</u>	<u>86,289,559</u>
Total reinsurers' share of insurance liabilities	<u>188,707,871</u>	<u>200,454,733</u>
Net		
Claims reported unsettled	58,020,272	50,878,292
Claims incurred but not reported	7,831,100	6,500,000
Unearned premiums	<u>91,779,024</u>	<u>103,005,346</u>
	<u>157,630,396</u>	<u>160,383,638</u>

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

10. Insurance contract liabilities and reinsurance contract assets (continued)

Movements 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 AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
Claims						
Notified claims	165,043,466	(114,165,174)	50,878,292	366,359,570	(315,584,585)	50,774,985
Incurred but not reported	<u>6,500,000</u>	-	<u>6,500,000</u>	<u>5,890,900</u>	-	<u>5,890,900</u>
Total at the beginning of the year	171,543,466	(114,165,174)	57,378,292	372,250,470	(315,584,585)	56,665,885
Discontinued operations	-	-	-	(53,582,016)	36,359,053	(17,222,963)
Claims settled during the year	(355,223,713)	108,227,326	(246,996,387)	(426,779,241)	270,666,984	(156,112,257)
Acquisition of subsidiary (Note 27)	17,272,558	(8,530,508)	8,742,050	-	-	-
Increase in liabilities	<u>359,001,125</u>	<u>(112,273,708)</u>	<u>246,727,417</u>	<u>279,654,253</u>	<u>(105,606,626)</u>	<u>174,047,627</u>
Total at the end of the year	192,593,436	(126,742,064)	65,851,372	171,543,466	(114,165,174)	57,378,292
Notified claims	184,762,336	(126,742,064)	58,020,272	165,043,466	(114,165,174)	50,878,292
Incurred but not reported	<u>7,831,100</u>	-	<u>7,831,100</u>	<u>6,500,000</u>	-	<u>6,500,000</u>
Total at the end of the year	192,593,436	(126,742,064)	65,851,372	171,543,466	(114,165,174)	57,378,292
Unearned premium						
Balance at beginning of the year	189,294,905	(86,289,559)	103,005,346	178,091,986	(79,379,007)	98,712,979
Discontinued operations	-	-	-	(37,476,141)	10,542,133	(26,934,008)
Acquisition of subsidiary (Note 27)	7,278,632	(1,740,594)	5,538,038	-	-	-
Net (increase)/decrease during the year	<u>(42,828,706)</u>	<u>26,064,346</u>	<u>(16,764,360)</u>	<u>48,679,060</u>	<u>(17,452,685)</u>	<u>31,226,375</u>
Total at the end of the year	153,744,831	(61,965,807)	91,779,024	189,294,905	86,289,559	103,005,346

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

11. Insurance and other receivables

	December 31,	
	2009	2008
	AED	AED
Receivables arising from insurance and reinsurance contracts:		
Due from policy holders	163,014,847	180,677,134
Allowance for doubtful debts	(10,770,504)	(3,670,452)
	<u>152,244,343</u>	<u>177,006,682</u>
Due from insurance and reinsurance companies	<u>62,076,849</u>	<u>55,947,262</u>
Other receivables:		
Accrued interest income	3,579,739	2,201,252
Prepaid expenses and refundable deposits	813,405	521,708
Due from staff	1,074,479	644,065
Other receivables	<u>2,922,587</u>	<u>6,170,597</u>
	<u>8,390,210</u>	<u>9,537,622</u>
	<u>222,711,402</u>	<u>242,491,566</u>
<i>Movement in the allowance for doubtful debts:</i>		
Balance at beginning of the year	3,670,452	2,872,980
Acquisition of subsidiary (Note 27)	4,017,923	-
Less discontinued operations	-	(393,797)
Impairment losses recognized on receivables	3,104,400	2,000,000
Amounts written off as uncollectible	(22,271)	(808,731)
Balance at end of the year	<u>10,770,504</u>	<u>3,670,452</u>

The average credit period is 120 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

11. Insurance and other receivables (continued)

Analysis of due from policyholders over 180 days are as follows:

	December 31,	
	2009	2008
	AED	AED
Allowance made for impairment	10,770,504	3,670,452
Post dated cheques received	17,203,807	15,274,492
Allowance not made	61,318,737	28,090,684
	89,293,048	47,035,628

Before accepting any new customer, the Group assesses the potential customers credit quality and defines credit limits by customer. Of the due from policyholders balance at the end of year AED 20.7 million (2008: AED 10.4 million) is due from the Group's largest customer. There are 9 (2008: 9) other customers whose combined balances represent more than 21% (2008: 25%) of the total balance of due from policyholders.

Included in the Group's due from policyholders balance are debtors with a carrying amount of AED 61.3 million (2008: AED 28.1 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

In determining the recoverability of an insurance receivable, the Group 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 risks 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 Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

12. Bank balances and cash

	December 31,	
	2009	2008
	AED	AED
Cash on hand	139,495	22,000
Bank balances:		
Current accounts	10,392,769	2,719,310
Fixed deposits	<u>266,937,128</u>	<u>204,013,105</u>
	<u>277,469,392</u>	<u>206,754,415</u>

Fixed deposits with banks as at December 31, 2009 include AED 10 million (2008: AED 10 million) deposited in the name of the Group to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law Number (6) of 2007 relating to Insurance Authority.

Fixed deposits amounting to AED 131 million (2008: AED 37.5 million) are under lien in respect of bank credit facilities granted to the Group (Note 19).

All fixed deposits with banks mature within different periods not exceeding one year from the financial date of deposit and carry interest rates between 5.25% to 6.25% per annum (2008: 4.75% to 7.50% per annum).

13. Share capital

	December 31,	
	2009	2008
	AED	AED
Issued and fully paid:		
230,000,000 ordinary shares of AED 1 each (2008: 200,000,000 shares of AED 1 each)	<u>230,000,000</u>	<u>200,000,000</u>

On March 3, 2009, the board of directors proposed a bonus share issue of 15% of the share capital, board of directors' remuneration of AED 900,000 (2008: AED 750,000) and a transfer to general reserve of AED 50 million.

These proposals were ratified by a resolution of the shareholders during the Ordinary General Assembly Meeting held on March 22, 2009.

During year ended December 31, 2009, the Group increased its share capital by AED 30 million by issuing 30 million bonus shares at a face value of AED 1 each.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

14. Statutory reserve

In accordance with U.A.E. Federal Commercial Companies Law Number 8 of 1984, as amended, the Group 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.

15. General reserve

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

16. Investments revaluation reserve

The investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset is effectively realized and is recognized in the consolidated statement of income. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is directly recognized in the consolidated statement of income.

17. Non-controlling interests

	December 31,	
	2009	2008
	AED	AED
Opening balance	-	18,445,607
Share of loss for the year	(226,976)	-
Discontinued operation (Note 8)	-	(18,445,607)
Acquisition of subsidiary (Note 27)	5,160,004	-
	4,933,028	-

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

18. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	<u>2009</u>	<u>2008</u>
	AED	AED
Balance at the beginning of the year	7,809,448	7,924,083
Adjustment for discontinued operation (Note 8)	-	(2,396,846)
Amounts charged during the year	1,821,722	2,504,902
Amounts paid	(179,750)	(222,691)
Balance at the end of the year	<u>9,451,420</u>	<u>7,809,448</u>

Provision for employees' end of service indemnity

Provision for employees' end of service indemnity is made in accordance with the Group's policy which is in compliance with U.A.E. labour laws and is based on current remuneration and cumulative years of service at the financial position date.

Defined contribution plan

U.A.E. national employees of the Group 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 Group is required to contribute 12.5% of "employees' salary" to the retirement benefit scheme to fund the benefits. These employees are also required to contribute 5% of their salaries to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated statement of income.

19. Bank borrowings

	<u>Current</u>		<u>Non-current</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	AED	AED	AED	AED
<i>Secured – at amortized cost</i>				
Term loan	-	14,849,835	-	61,520,745
Bank overdraft	<u>136,929,407</u>	<u>72,888,700</u>	<u>-</u>	<u>-</u>
	<u>136,929,407</u>	<u>87,738,535</u>	<u>-</u>	<u>61,520,745</u>

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

19. Bank borrowings

The Group has bank facilities in the form of overdrafts repayable upon demand and bearing interest ranging from 5.8% to 6.5% per annum (2008: 5.5% to 6.0% per annum). These facilities are secured by lien on fixed deposits amounting to AED 131 million (2008: AED 37.5 million). The bank overdraft limit provided under the facility is AED 145 million.

During 2008, a bank term loan amounting to AED 76 million was obtained from a local bank payable in 12 equal quarterly installments of AED 6.4 million each, plus interest with a 1 year moratorium period starting from the date of first drawdown made on May 8, 2008. Interest was payable at a rate of 1.875% over 3 month EIBOR. The loan was secured by:

- Hypothecation over fixed deposits up to AED 52 million.
- Pledge of 38.2 million shares of Union Insurance Company that were held by the Group.

The term loan has been fully repaid by the Group during the year. Accordingly, the securities were released.

20. Insurance and other payables

	December 31,	
	2009	2008
	AED	AED
Payables arising from insurance and reinsurance contracts:		
Due to insurance and reinsurance companies	<u>81,730,242</u>	<u>73,851,805</u>
Other payables:		
Insurance customers payable	18,116,691	34,406,884
Accrued expenses and provisions	10,217,174	11,408,344
Notes payable - post-dated cheques	356,265	235,001
Other	<u>4,700,524</u>	<u>4,046,337</u>
	<u>33,390,654</u>	<u>50,096,566</u>
	<u>115,120,896</u>	<u>123,948,371</u>

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

21. Advances from related parties

	December 31,	
	2009	2008
	AED	AED
GGICO	18,470,117	22,275,427
Sagr Al Bayda'a Trading Agencies Co. Ltd, Kingdom of Saudi Arabia [Note 28 (d)]	<u>40,082,036</u>	<u>6,846,000</u>
	<u><u>58,552,153</u></u>	<u><u>29,121,427</u></u>

22. Investment revenue – net

	Year ended December 31,	
	2009	2008
	AED	AED
Net gain on sales of investment in securities	12,101,175	30,269,356
Interest on fixed deposits	11,980,220	8,418,288
Dividend income	4,086,502	5,226,795
Loss on revaluation of held for trading investments	<u>(17,142,482)</u>	<u>(29,995,473)</u>
	<u><u>11,025,415</u></u>	<u><u>13,918,966</u></u>

23. Other income - net

	Year ended December 31,	
	2009	2008
	AED	AED
Recovery against bad debts	4,596,189	3,118,210
Management fee	121,460	3,495,074
Interest income	637,017	-
Other expenses	<u>(4,194,791)</u>	<u>(5,713,846)</u>
	<u><u>1,159,875</u></u>	<u><u>899,438</u></u>

Management fee represents income charged by the Group under a technical management agreement with Union Insurance Company. The Group is entitled to 23% of Union Insurance Company underwriting profit as fees to manage the insurance operations of Union Insurance Company for 10 years effective from March 1, 2008.

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

24. Net Profit for the year

Profit for the year has been arrived at after charging the following expenses:

	Year ended December 31,	
	2009	2008
	AED	AED
Staff costs	20,923,992	16,215,252
Depreciation of property and equipment	1,569,399	642,636
Provision for doubtful debts	3,104,400	2,000,000

25. Basic earnings per share

	Year ended December 31,	
	2009	2008
Net profit for the year	AED 30,051,772	AED 67,137,761
Number of shares	230,000,000	200,000,000
Weighted average number of shares	230,000,000	230,000,000
Earnings per share	AED 0.13	AED 0.29

Basic earnings per share are calculated by dividing the net profit for the year by the number of weighted average of shares outstanding as of the financial position date.

The weighted average number of shares as of December 31, 2009 and 2008 has been adjusted to reflect the bonus shares issued during 2009 (Note 13).

26. Cash and cash equivalents

	December 31,	
	2009	2008
	AED	AED
Bank balances and cash (Note 12)	277,469,392	206,754,415
Fixed deposits under lien and maturity within more than three months from the date of deposits	(254,024,886)	(204,013,105)
	23,444,506	2,741,310

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

27. Acquisition of a subsidiary

- a) On June 30, 2009, the Company entered as a strategic partner and acquired 84% of the share capital of Jordan Emirates Insurance Company PSC, for an amount of 4.2 million Jordanian Dinar (equivalent to AED 21,928,200), whereby 29% of the aggregate shareholding of the Company is registered in the name of a third party on behalf and for the benefit of the Company. Jordan Emirates Insurance Company PSC is a publicly listed company. The principal activity of Jordan Emirates Insurance Company PSC is the writing of insurance of all types operating through its Head Office in Jordan. The functional currency is Jordanian Dinar and, for the purpose of consolidation, the assets and liabilities have been translated at the year end rate of U.A.E Dirhams being equivalent to Jordanian Dinar 0.1916. The functional currency of the subsidiary is Jordanian Dinar (JOD) which is also pegged to the United States Dollar (USD). Thus, there were no exchange differences arising from the consolidation of the subsidiary. This transaction has been accounted for by the purchase method of accounting in accordance with IFRS 3: *Business Combinations*.

The net assets acquired in the transaction are as follows:

	<u>AED</u>
Net assets acquired at book value:	
Property and equipment	316,061
Investment property	6,194,041
Available-for-sale investments	182,820
Reinsurance contract assets	10,271,102
Insurance and other receivables	7,356,625
Investments held for trading	647,103
Bank balances and cash	33,792,709
Insurance contract liabilities	(24,551,190)
Insurance and other payables	(7,121,067)
	27,088,204
Less: Non-controlling interests	(5,160,004)
Total consideration, satisfied by cash	21,928,200
Net cash inflow arising on acquisition:	
Cash consideration paid	(21,928,200)
Cash and cash equivalents acquired	33,792,709
	11,864,509

The assessment of the fair value of the identifiable assets acquired and liabilities assumed by the Company on the above acquisition, as required under IFRS 3: Business Combinations, was incomplete at the date of this consolidated financial statements and any fair value adjustments required will be made on completion of the assessment in due course as permitted under IFRS 3.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

27. Acquisition of a subsidiary (continued)

- b) The Group's consolidated financial statements for the year ended December 31, 2009, includes total assets of AED 60 million, total liabilities of AED 34 million and net loss of AED 258,033 as a result of the consolidation of the subsidiary, Jordan Emirates Insurance Company PJSC.

28. Related party transactions

- a) At the financial position date, amounts due from/to related parties were as follows:

	December 31,	
	2009	2008
	AED	AED
Due from policy holders	2,242,714	828,921
Due from shareholders	2,465,221	2,039,304
Due to shareholders	11,767,715	11,904,068
Due from associates [refer Note 28 (c) below]	202,831,608	4,071,383
Gross outstanding claims	20,108	18,022,485
Investments in jointly controlled assets	178,522,360	127,639,771
Held to maturity investments	3,453,898	3,445,519
Advances received [refer Note 21]	58,552,153	29,121,427

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

Due to shareholders represents the portion of the amount paid by the shareholders on behalf of the Group against the investment in one of its associate- Al Sagr Company for Co-Operative Insurance, Kingdom of Saudi Arabia.

Transactions:

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

	Year ended December 31,	
	2009	2008
	AED	AED
Gross premium	17,382,345	13,618,247
Claims paid	22,264,055	168,846,859
Sale of investment property - GGICO [Note 28 (b)]	63,644,074	-
Management fees	121,460	3,495,074
Sale of held for trading investments [Note 28 (c)]	192,061,188	-

Premiums are charged to related parties at rates agreed with the management.

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

28. Related party transactions (continued)

Compensation of Board of directors/key management personnel

	Year ended December 31,	
	2009	2008
	AED	AED
Short term benefits	6,391,865	6,456,403
Long term benefits	1,276,630	1,702,316
Board of directors' remuneration	900,000	750,000

The remuneration of directors is subject to approval by the shareholders and as per limits set by the U.A.E. Commercial Companies Law No. 8 of 1984, as amended.

- b) During the year, the Group sold the investment property at the Dubai Silicon Oasis to GGICO for a total agreed amount of AED 63,644,074. The investment property had a net book value of AED 24,436,620 (Note 6) resulting in a profit on disposal of property of AED 39,207,454. This was settled against the advance of AED 22,275,427 from a related party as of December 31, 2008 and the balance of AED 41,368,647 was considered as additional investment of the Group towards the investment property with the same related party in the Meydan Tower (Note 6).
- c) During the year, the Group sold 42 million shares of Union Insurance Company which was classified under investment held for trading to Sogour Al Khaleej General Trading LLC, one of the Group's associates for an agreed amount of AED 192 million. The amount is not yet received as of December 31, 2009 and classified under amount due from related parties.
- d) The advance amounting to AED 40 million from Sagr Al Bayda'a Trading Agencies Co. Ltd (Note 21) represents funds received on behalf of the Group's discontinued subsidiary, Al Sagr Saudi Insurance Company, against the Group's share from the liquidation settlement proceeds of the said subsidiary. Presently, this advance has been kept unutilized until the final winding up procedures which will be completed by SAMA (Refer Note 8).

29. Contingent liabilities

	December 31,	
	2009	2008
	AED	AED
Letters of guarantee	19,462,200	18,778,271
Capital commitments	46,610,000	131,730,000

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

30. Operating lease arrangements

At the financial position date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	December 31,	
	2009	2008
	AED	AED
Within one year	496,668	868,125
In the second to third year (inclusive)	200,000	420,000
	696,668	1,288,125

Operating lease payments represent rentals payable by the Group for its office property. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

31. 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 Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group 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 Group 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.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

31. Insurance risk (continued)

Frequency and severity of claims

The Group 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 Group 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 Group 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 Group should not suffer net insurance losses of a set limit of AED 100,000 for life and personal accident, AED 500,000 for marine cargo/hull and AED 300,000 for all other classes in any one policy. The Group 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 Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

31. 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 Group 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 Group, 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 Group 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 Group 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 financial position date.

Where possible, the Group 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 Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

31. 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 Group'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 reinsurance) are analysed below by type of risk where the insured operates for current and prior year premiums earned.

Type of risk	<u>2009</u>	<u>2008</u>
Motor	74%	84%
Non-Motor	81%	57%

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 Group'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 Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

31. Insurance risk (continued)

Concentration of insurance risk

The Group's underwriting activities are carried out in the United Arab Emirates and other Middle East countries.

The insurance risk before and after reinsurance in relation to the insurance risk accepted is summarized below:

	<u>Year ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
	AED	AED
Gross	82,529,118	98,874,890
Net	8,170,382	12,211,894

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, 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 Group 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 Group from its obligations to policyholders. The Group 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.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

31. Insurance risk (continued)

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Group amounts to AED 39 million for the year ended December 31, 2009 (2008: AED 59 million). The Group does not foresee any major impact from insurance operations due to the following reasons:

The Group has an overall retention level of 58% (2008: 53%) and the same is mainly contributed by two classes of business i.e., Motor and Medical line wherein the retention levels are 75% and 100% respectively. However, in Motor and Medical class the liabilities are adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Group has net commission earnings of AED 38 million (2008: AED 45 million) 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 retention of 58% (2008: 53%) volume of business and limited exposure in high retention areas like Motor and medical insurance the Group is comfortable to maintain a net loss ratio in the region of 75% to 78% (2008: 64% to 73%) and does not foresee any serious financial impact in the insurance net profit.

Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last three years on an accident year basis:

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

31. Insurance risk (continued)

	Up to 2005 AED	2006 AED	2007 AED	2008 AED	2009 AED	Total AED
Outstanding claims – Gross:						
At the end of the accident year	143,117,784	137,597,463	308,655,172	96,973,373	127,471,962	-
One year later	140,856,335	146,310,939	329,656,446	102,673,371	-	-
Two years later	146,972,027	172,396,151	354,964,337	-	-	-
Three years later	144,200,844	191,870,190	-	-	-	-
Four years later	143,121,065	-	-	-	-	-
Current estimate of cumulative claims	143,121,065	191,870,190	354,964,337	102,672,371	127,471,962	920,099,925
Cumulative payments to date	(134,514,066)	(184,670,257)	(321,944,919)	(83,986,591)	(10,221,756)	(735,337,589)
Liability recognized in the consolidated statement of financial position	8,606,999	7,199,933	33,019,418	18,685,780	117,250,206	184,762,336
Outstanding claims – net retention:						
At the end of the accident year	53,143,750	28,809,760	40,700,449	35,799,878	42,901,112	-
One year later	54,355,854	33,071,843	54,063,727	44,742,843	-	-
Two years later	56,475,931	47,148,320	61,349,161	-	-	-
Three years later	60,545,721	51,718,961	-	-	-	-
Four years later	62,894,327	-	-	-	-	-
Current estimate of cumulative claims	62,894,327	51,718,961	61,349,161	44,742,843	42,901,112	263,606,404
Cumulative payments to date	(59,704,506)	(49,545,135)	(55,799,361)	(36,346,210)	(4,190,920)	(205,586,132)
Liability recognized in the consolidated statement of financial position	3,189,821	2,173,826	5,549,800	8,396,633	38,710,192	58,020,272

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

32. Capital risk management

The Group's objectives when managing capital are:

- to comply with the insurance capital requirements required by U.A.E. Federal Law No. 6 of 2007, concerning Insurance Authority. Management considers the quantitative threshold of 20%-25% sufficient to maximise shareholders' return and to support the capital required;
- to safeguard the Group'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 insurance regulator specifies the minimum amount and type of capital that must be held by the Group 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 Group is subject to insurance solvency regulations with which it has complied with during the year. The Group 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 Group and the total capital held.

	December 31,	
	2009	2008
	AED	AED
Total capital held	230,000,000	200,000,000
Minimum regulatory capital	100,000,000	50,000,000

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

32. Capital risk management (continued)

Gearing ratio

The Group's management reviews the capital structure on regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end was as follows:

	December 31,	
	2009	2008
	AED	AED
Debt (i)	136,929,407	149,259,280
Cash and cash equivalents	(23,444,506)	(2,741,310)
Net debt	113,484,901	146,517,970
Equity (ii)	597,039,309	567,844,001
Net debt to equity ratio	19.01%	25.8%

(i) Debt is defined as long-and short-term borrowings. (Note 19)

(ii) Equity includes all capital and reserves of the Group.

33. Financial instruments

The Group 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 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, credit risk and liquidity 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 Group primarily faces due to the nature of its investments and 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 recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

33. Financial instruments (continued)

Categories of financial instruments and others - December 31, 2009

<u>Assets</u>	<u>Loans and receivables</u> AED	<u>Held for trading</u> AED	<u>Held –to- maturity</u> AED	<u>Available for-sale</u> AED	<u>Insurance contract assets (IFRS 4)</u> AED	<u>Non- financial instruments</u> AED	<u>Total</u> AED
Property and equipment	-	-	-	-	-	4,998,969	4,998,969
Investment properties	-	-	-	-	-	210,840,052	210,840,052
Available-for-sale investments	-	-	-	109,380	-	-	109,380
Investment in subsidiary discontinued operation	-	-	-	-	-	23,290,575	23,290,575
Re-insurance contract assets	-	-	-	-	188,707,871	-	188,707,871
Insurance and other receivables	222,711,402	-	-	-	-	-	222,711,402
Held for trading investments	-	89,831,612	-	-	-	-	89,831,612
Investments in associates	-	-	-	-	-	51,387,436	51,387,436
Due from related parties	-	-	-	-	-	202,831,608	202,831,608
Bank balances and cash	277,469,392	-	-	-	-	-	277,469,392
Held to maturity	-	-	7,953,898	-	-	-	7,953,898
Total assets	500,180,794	89,831,612	7,953,898	109,380	188,707,871	493,348,640	1,280,132,195

<u>Liabilities</u>	<u>At amortised cost</u> AED	<u>Insurance contract liabilities (IFRS 4)</u> AED	<u>Total</u> AED
Bank borrowings	136,929,407	-	136,929,407
Insurance contract liabilities	-	346,338,267	346,338,267
Advance from related parties	58,552,153	-	58,552,153
Insurance and other payables	-	115,120,896	115,120,896
Due to related parties	11,767,715	-	11,767,715
Total liabilities	207,249,275	461,459,163	668,708,438

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

33. Financial instruments (continued)

Categories of financial instruments and others - December 31, 2008

<u>Assets</u>	<u>Loans and receivables</u> AED	<u>Held for trading</u> AED	<u>Held –to- maturity</u> AED	<u>Available for-sale</u> AED	<u>Insurance contract assets (IFRS 4)</u> AED	<u>Non- financial instruments</u> AED	<u>Total</u> AED
Property and equipment	-	-	-	-	-	2,636,398	2,636,398
Investment properties	-	-	-	-	-	170,753,779	170,753,779
Available-for-sale investments	-	-	-	625,000	-	-	625,000
Investment in subsidiary discontinued operation	-	-	-	-	-	23,290,575	23,290,575
Re-insurance contract assets	-	-	-	-	200,454,733	-	200,454,733
Insurance and other receivables	242,491,566	-	-	-	-	-	242,491,566
Held for trading investments	-	340,117,304	-	-	-	-	340,117,304
Investments in associates	-	-	-	-	-	51,584,294	51,584,294
Due from related parties	-	-	-	-	-	4,071,383	4,071,383
Bank balances and cash	206,754,415	-	-	-	-	-	206,754,415
Held to maturity	-	-	7,945,519	-	-	-	7,945,519
Total assets	449,245,981	340,117,304	7,945,519	625,000	200,454,733	252,336,429	1,250,724,966

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

33. Financial instruments (continued)

Categories of financial instruments and others - December 31, 2008 - continued

Liabilities	At amortised cost AED	Insurance contract liabilities (IFRS 4) AED	Total AED
Bank borrowings	149,259,280	-	149,259,280
Insurance contract liabilities	-	360,838,371	360,838,371
Advance from related parties	29,121,427	-	29,121,427
Insurance and other payables	-	123,948,371	123,948,371
Due to related parties	11,904,068	-	11,904,068
Total liabilities	190,284,775	484,786,742	675,071,517

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

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 Group.

Key areas where the Group 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 Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group'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.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

33. Financial instruments (continued)

Credit risk - continued

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group 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 Group 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 Group. Management information reported to the Group 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 Group.

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 Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 30% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

Liquidity risk

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

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

33. Financial instruments (continued)

Liquidity risk - continued

The table below summarises the maturity profile of the Group's financial assets. The contractual maturities of the financial assets have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets and liabilities at the financial position date based on contractual repayment arrangements was as follows:

2009	Less than 30 days AED	30-90 days AED	90-180 days AED	After 180 days AED	Total AED
Available-for-sale investments	-	-	-	109,380	109,380
Insurance and other receivables	53,204,100	95,467,217	25,721,348	48,318,737	222,711,402
Held for trading investments	4,918,050	6,256,789	13,407,400	65,249,373	89,831,612
Bank balances and cash – Non- interest bearing	10,532,264	-	-	-	10,532,264
Fixed deposits - interest bearing	<u>64,455,995</u>	<u>102,679,395</u>	<u>40,213,878</u>	<u>59,587,860</u>	<u>266,937,128</u>
	<u>133,110,409</u>	<u>204,403,401</u>	<u>79,342,626</u>	<u>173,265,350</u>	<u>590,121,786</u>
Insurance and other payables	10,783,000	26,816,152	41,798,112	35,723,632	115,120,896
Bank borrowings	12,500,000	32,500,000	28,500,000	63,429,407	136,929,407
Provision for employees' end of service indemnity	-	-	-	9,451,420	9,451,420
	<u>23,283,000</u>	<u>59,316,152</u>	<u>70,298,112</u>	<u>108,604,459</u>	<u>261,501,723</u>

Interest rates have been disclosed in the respective notes.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

33. Financial instruments (continued)

Liquidity risk - continued

2008	Less than 30 days AED	30-90 days AED	90-180 days AED	After 180 days AED	Total AED
Available-for-sale investments	-	-	-	625,000	625,000
Insurance and other receivables	58,756,367	66,566,149	72,862,866	44,306,184	242,491,566
Held for trading investments	68,236,460	271,880,844	-	-	340,117,304
Bank balances and cash – Non- interest bearing	2,741,310	-	-	-	2,741,310
Fixed deposits - interest bearing	<u>53,075,606</u>	<u>11,512,341</u>	<u>12,891,262</u>	<u>126,533,896</u>	<u>204,013,105</u>
	<u>182,809,743</u>	<u>349,959,334</u>	<u>85,754,128</u>	<u>171,465,080</u>	<u>789,988,285</u>
Insurance and other payables	11,368,344	43,303,475	65,190,215	33,207,764	153,069,798
Bank borrowings	72,888,700	-	8,400,000	67,970,580	149,259,280
Provision for employees' end of service indemnity	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,809,448</u>	<u>7,809,448</u>
	<u>84,257,044</u>	<u>43,303,475</u>	<u>73,590,215</u>	<u>108,987,792</u>	<u>310,138,526</u>

Interest risk

The Group's exposure to interest rate risk relates to its bank deposits and bank borrowings. At December 31, 2009, bank deposits carried interest rates ranges between 5.3% to 6.3% per annum (2008: 4.8% to 7.5% per annum). The interest rate on bank borrowings ranges between 5.8% to 6.5% per annum (2008: 5.5% to 6.5% per annum). The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

33. Financial instruments (continued)

Interest risk - continued

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the consolidated financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the financial position date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points lower/higher and all other variables were held constant, the Group's:

- Profit for the year ended December 31, 2009 would decrease/increase by AED 650,000 (2008: decrease/increase by AED 530,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and

Equity price risk

Sensitivity analysis

At the financial position date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Group's profit would have increased/decreased by AED 9.0 million (2008: AED 34.2 million).

Method and assumptions for sensitivity analysis

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

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

34. Fair value of financial instruments

The management considers that the fair values of the financial assets and liabilities are not materially different from their carrying values.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value measurements recognised in the consolidated statement of financial position

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).

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
<i>Held for trading</i>	89,831,612		-	89,831,612
<i>Held to maturity</i>	-	7,953,898	-	7,953,898
<i>Available for sale</i>	109,380	-	-	109,380
Total	89,940,992	7,953,898	-	97,894,890

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

34. Fair value of financial instruments (continued)

There were no transfers between Level 1 and 2 during the year.

The table above only includes financial assets. There are no financial liabilities measured at fair value.

All gain and losses included in consolidated statement of comprehensive income relate to available for sale investments held at the end of the reporting period and are reported as changes of 'Investment revaluation reserve'.

35. Segment Information

The Group has adopted IFRS 8 Operating Segments with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's 'system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

Management has determined the segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. There are no transactions between the business segments.

Business segments

The Group has the following main business segments:

- a) Insurance
 - Accident and Liability: Covers damages resulting from work accidents, burglary, motor, civil responsibilities, engineering insurance, medical, life, personal and breach of trust.
 - Fire: Covers insurance against damages caused by fire, explosions, natural phenomena and all kind of commotions.
 - Marine and aviation: Covers the insurance of cargo and other movables, freight charges, ship and aircraft hulls, machinery and the insurance against risks incidental to its construction, operations, repairs and docking including damages which afflict others.
- b) Investment comprising of investment in securities and investment property.

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

35. Segment Information (continued)

	<u>Insurance</u> AED	<u>Investment</u> AED	<u>Total</u> AED
Year ended December 31, 2009			
Total segment revenue	275,728,892	7,418,174	283,147,066
Less: allocated costs	(236,792,352)	(9,520,292)	(246,312,644)
Segment results	38,936,540	(2,102,118)	36,834,422
Less: unallocated costs			(6,782,650)
Profit for the year			<u>30,051,772</u>
As at 31 December 2009			
Total assets	<u>896,719,242</u>	<u>383,412,953</u>	<u>1,280,132,195</u>
Year ended December 31, 2008			
Total segment revenue	212,139,010	20,287,666	232,426,676
Less: allocated costs	(153,430,127)	(5,869,752)	(159,299,879)
Segment results	58,708,883	14,417,914	73,126,797
Less: unallocated costs			(5,989,036)
Profit for the year			<u>67,131,761</u>
As at 31 December 2008			
Total assets	<u>656,408,495</u>	<u>594,316,471</u>	<u>1,250,724,966</u>

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

35. Segment information (continued)

The details of the insurance segment are as follows:

2009	Fire AED	Marine AED	Accident & liabilities AED	Total AED
Premium written	18,923,616	92,497,912	334,636,533	446,058,061
Less: Reinsurers' share	(16,565,702)	(83,656,020)	(86,871,807)	(187,093,529)
Net premium	2,357,914	8,841,892	247,764,726	258,964,532
Net movement during the year	49,918	(435,557)	17,149,999	16,764,360
Net premium earned	2,407,832	8,406,335	264,914,725	275,728,892
Claims paid	(27,650,252)	(63,439,502)	(264,133,959)	(355,223,713)
Less: Reinsurers' share	26,424,886	59,015,866	22,786,574	108,227,326
Net claims paid	(1,225,366)	(4,423,636)	(241,347,385)	(246,996,387)
Net movement during the year	(62,225)	(2,172,241)	2,503,436	268,970
Net claims incurred	(1,287,591)	(6,595,877)	(238,843,949)	(246,727,417)
Net commission earned and documentation fees	3,450,270	18,488,699	15,304,058	37,243,027
Underwriting profit	4,570,511	20,299,157	41,374,834	66,244,502
Less: General and administration expenses	(1,493,525)	(4,998,979)	(20,815,458)	(27,307,962)
Net underwriting profit	3,076,986	15,300,178	20,559,376	38,936,540

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

35. Segment information (continued)

2008	Fire AED	Marine AED	Accident & liabilities AED	Total AED
Premium written	19,193,218	123,107,936	315,129,697	457,430,851
Less: Reinsurers' share	(17,033,506)	(115,911,381)	(81,120,579)	(214,065,466)
Net premium	2,159,712	7,196,555	234,009,118	243,365,385
Net movement during the year	(290,995)	(822,588)	(30,112,792)	(31,226,375)
Net premium earned	1,868,717	6,373,967	203,896,326	212,139,010
Claims paid	(157,883,225)	(99,590,708)	(169,305,308)	(426,779,241)
Less: Reinsurers' share	156,914,630	92,570,371	21,181,983	270,666,984
Net claims paid	(968,595)	(7,020,337)	(148,123,325)	(156,112,257)
Net movement during the year	(158,700)	(54,997)	(17,721,673)	(17,935,370)
Net claims incurred	(1,127,295)	(7,075,334)	(165,844,998)	(174,047,627)
Net commission earned and documentation fees	3,201,283	25,267,356	16,105,005	44,573,644
Underwriting profit	3,942,705	24,565,989	54,156,333	82,665,027
Less: General and administration expenses	(1,142,588)	(7,119,170)	(15,694,386)	(23,956,144)
Net underwriting profit	2,800,117	17,446,819	38,461,947	58,708,883

Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009

35. Segment information (continued)

Geographical Segment:

The Group's underwriting business is based mainly within the United Arab Emirates and other Middle East countries. The Group's consolidated financial position and consolidated results can be analysed by the following geographical regions:

	2009			2008		
	U.A.E. AED	Outside U.A.E. AED	Total AED	U.A.E. AED	Outside U.A.E. AED	Total AED
Insurance revenue	336,016,864	12,621,959	348,638,823	293,830,431	-	293,830,431
Insurance cost	(272,717,266)	(9,677,055)	(282,394,321)	(211,165,404)	-	(211,165,404)
General and administrative expenses	(23,263,277)	(4,044,685)	(27,307,962)	(23,956,144)	-	(23,956,144)
Segment result	40,036,321	(1,099,781)	38,936,540	58,708,883	-	58,708,883
Segment assets	1,156,630,844	123,501,351	1,280,132,195	1,227,434,391	23,290,575	1,250,724,966
Segment liabilities	654,610,334	23,549,524	678,159,858	682,880,965	-	682,880,965

**Notes to the Consolidated Financial Statements (continued)
For the year ended December 31, 2009**

36. Comparative amounts

The figures in consolidated statement of financial position, consolidated statement of income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows are not comparable as last year figures do not include the assets and liabilities of the subsidiary acquired (Note 27) during the year.