

Dubai Insurance Company
(Public Shareholding Company)

FINANCIAL STATEMENTS

31 DECEMBER 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DUBAI INSURANCE COMPANY (PSC)

Report on the Financial Statements

We have audited the accompanying financial statements of Dubai Insurance Company (PSC), which comprise the balance sheet as at 31 December 2008 and the statements of income, cash flow and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Dubai Insurance Company (PSC), the UAE Commercial Companies Law of 1984 (as amended) and the UAE Federal Law No. (6) of 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 the directors, as well as evaluating the overall presentation of the financial statements.

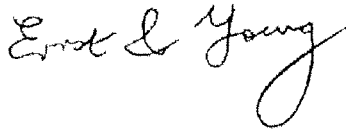
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended), UAE Federal Law No. (6) of 2007 and the articles of association of Dubai Insurance Company (PSC); proper books of account have been kept by Dubai Insurance Company (PSC), and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended), UAE Federal Law No. (6) of 2007, or of the articles of association of Dubai Insurance Company (PSC) have occurred during the year which would have had a material effect on the business of Dubai Insurance Company (PSC) or on its financial position.

A handwritten signature in cursive script, appearing to read 'Ernst & Young'.

Signed by:
Edward B. Quinlan
Partner
Registration No. 93

8 February 2009
Dubai

Dubai Insurance Company (PSC)

INCOME STATEMENT

Year ended 31 December 2008

	<i>Notes</i>	2008 AED	2007 AED
UNDERWRITING INCOME			
Gross premiums		121,348,662	61,297,675
Movement in provision for unearned premiums		(12,046,103)	(16,558,854)
Insurance premium revenue	3	109,302,559	44,738,821
Reinsurers' share of premium	3	(52,120,432)	(22,876,204)
Net insurance premium revenue		57,182,127	21,862,617
Commission income		11,803,931	8,681,745
		68,986,058	30,544,362
UNDERWRITING EXPENSES			
Claims	4	67,250,601	17,423,420
Reinsurers' share of claims	4	(41,352,095)	(6,680,684)
Commission expenses		16,978,536	5,810,052
Excess of loss reinsurance premium		1,648,034	1,559,826
General and administration expenses relating to underwriting activities		8,368,981	4,972,703
		52,894,057	23,085,317
NET UNDERWRITING INCOME		16,092,001	7,459,045
INVESTMENT INCOME			
Realised gains	6	56,803,526	24,877,141
Fair value (losses) gains	7	(471,991)	318,444
Provision for loss on impairment of available-for-sale		(10,989,378)	-
Other investment income	8	9,402,934	12,779,354
		54,745,091	37,974,939
OTHER INCOME AND EXPENSES			
General and administration expenses not allocated		(3,379,508)	(1,634,544)
Other (expenses) income		(283,043)	275,913
		(3,662,551)	(1,358,631)
PROFIT FOR THE YEAR	9	67,174,541	44,075,353
Earnings per share (AED)	10	6.63	4.34

The attached notes 1 to 33 form part of these financial statements.

Dubai Insurance Company (PSC)

BALANCE SHEET

At 31 December 2008

	Notes	2008 AED	2007 AED
ASSETS			
Office equipment and vehicles	11	1,802,904	501,847
Investment property	12	3,157,290	3,892,950
Advance for purchase of investment property		21,653,450	20,169,250
Financial instruments			
Financial assets at fair value through profit or loss	13	5,050,948	6,992,122
Held-to-maturity financial assets	14	-	1,849,505
Available-for-sale financial assets	15	177,540,005	362,315,685
Reinsurance assets	24	48,944,934	20,256,479
Insurance receivables	16	66,306,418	33,481,353
Prepayments and accrued income	17	2,399,588	1,268,126
Statutory deposits	18	10,000,000	7,500,000
Cash and cash equivalents	19	89,582,652	53,391,455
TOTAL ASSETS		426,438,189	511,618,772
EQUITY AND LIABILITIES			
Equity			
Share capital	20	100,000,000	75,000,000
Statutory reserve	21	44,217,454	37,500,000
General reserve	22	3,500,000	3,500,000
Retained earnings		84,248,732	54,691,645
Proposed dividends – cash		30,000,000	-
Proposed dividends – scrip	23	-	25,000,000
Cumulative changes in fair values of securities		48,517,419	252,291,888
Total equity		310,483,605	447,983,533
Liabilities			
Insurance contract liabilities	24	78,450,834	43,762,014
Amounts held under reinsurance treaties		10,064,486	4,765,782
Reinsurance balances payable		8,473,319	4,424,507
Trade and other payables	25	18,965,945	10,682,936
Total liabilities		115,954,584	63,635,239
TOTAL EQUITY AND LIABILITIES		426,438,189	511,618,772

The financial statements were authorised for issue in accordance with a resolution of the directors on 8 February 2009.



Chairman



Vice Chairman

The attached notes 1 to 33 form part of these financial statements.

Dubai Insurance Company (PSC)

CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 AED	2007 AED
OPERATING ACTIVITIES			
Profit for the year		67,174,541	44,075,353
Adjustments for:			
Depreciation on office equipment and vehicles	11	616,752	243,902
Depreciation on investment property	12	735,660	735,660
Provision for impairment available-for-sale financial assets		10,989,378	-
Provision for employees' end of service benefits	26	174,085	132,213
Gain on sale of available for sale securities	6	(38,747,034)	(18,563,346)
Gain on sale of advance for investment property		(18,016,362)	-
Loss on sale of office equipments and vehicles	6	-	33,137
		<u>22,927,020</u>	<u>26,656,919</u>
Changes in operating assets and liabilities:			
Decrease in financial assets at fair value through profit or loss		1,941,174	29,526,589
(Increase) decrease in reinsurance assets		(28,688,455)	16,689,512
Increase in insurance receivables		(32,825,065)	(25,756,181)
Increase in prepayments and accrued income		(1,131,462)	(635,947)
Increase (decrease) in insurance contract liabilities		34,688,820	(1,913,561)
Increase in amounts held under reinsurance treaties		5,298,704	2,036,567
Increase in reinsurance balances payable		4,048,812	2,908,230
Increase in trade and other payables		7,685,974	6,406,150
		<u>13,945,522</u>	<u>55,918,278</u>
Cash generated from operations			
Employees' end of service paid	26	(477,050)	(104,603)
		<u>13,468,472</u>	<u>55,813,675</u>
Net cash generated from operating activities			
INVESTING ACTIVITIES			
Purchase of available-for-sale securities		(38,767,564)	(42,607,203)
Proceeds from sale of available-for-sale securities		47,526,431	27,372,549
Advance made on purchase of investment property		(1,484,200)	(20,169,250)
Payments made for purchase of investment property		(47,515,680)	-
Purchase of office equipment and vehicles	11	(1,917,809)	(427,681)
Proceeds from investment in held-to-maturity		1,849,505	-
Proceeds from sale of office equipment and vehicles		-	50,000
Proceeds from sale of investment property		65,532,042	-
Statutory deposits		(2,500,000)	15,000
		<u>22,722,725</u>	<u>(35,766,585)</u>
Net cash from (used in) investing activities			
FINANCING ACTIVITIES			
Dividend paid		-	(7,500,000)
Directors' fees		-	(700,000)
		<u>-</u>	<u>(8,200,000)</u>
Net cash used in financing activities			
INCREASE IN CASH AND CASH EQUIVALENTS			
		36,191,197	11,847,090
Cash and cash equivalents at 1 January		53,391,455	41,544,365
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	<u>89,582,652</u>	<u>53,391,455</u>

The attached notes 1 to 33 form part of these financial statements.

Dubai Insurance Company (PSC)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Notes	Share capital AED	Statutory reserve AED	General reserve AED	Retained earnings AED	Proposed dividends AED	Cumulative changes in fair values AED	Total AED
Balance at 1 January 2007		75,000,000	37,500,000	3,500,000	36,316,292	7,500,000	132,786,620	292,602,912
Increase in fair value of available for sale securities		-	-	-	-	-	138,068,614	138,068,614
Realised gain transfer to income statement on sale of available for- sale-securities		-	-	-	-	-	(18,563,346)	(18,563,346)
Total income recognised directly in equity		-	-	-	-	-	119,505,268	119,505,268
Profit for the year		-	-	-	44,075,353	-	-	44,075,353
Total income for the year		-	-	-	44,075,353	-	119,505,268	163,580,621
Cash dividend paid	23	-	-	-	(7,500,000)	-	-	(7,500,000)
Directors' fees	28	-	-	-	(700,000)	-	-	(700,000)
Proposed dividend – scrip	23	-	-	-	(25,000,000)	25,000,000	-	-
Balance at 31 December 2007		75,000,000	37,500,000	3,500,000	54,691,645	25,000,000	252,291,888	447,983,533
Decrease in fair value of available for sale securities		-	-	-	-	-	(165,027,435)	(165,027,435)
Realised gain transfer to income statement on sale of available for sale securities		-	-	-	-	-	(38,747,034)	(38,747,034)
Total loss recognised directly in equity Profit for the year		-	-	-	67,174,541	-	(203,774,469)	(203,774,469)
Total income and expense for the year		-	-	-	67,174,541	-	-	(136,599,928)
Bonus Share paid	23	25,000,000	-	-	(900,000)	(25,000,000)	-	-
Directors' fees	28	-	-	-	(6,717,454)	-	-	(900,000)
Transfer to statutory reserve	23	-	6,717,454	-	(30,000,000)	30,000,000	-	-
Proposed dividend – cash		-	-	-	-	-	-	-
Balance at 31 December 2008		100,000,000	44,217,454	3,500,000	84,248,732	30,000,000	48,517,419	310,483,605

The attached notes 1 to 33 form part of these financial statements.

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2008

1 ACTIVITIES

Dubai Insurance Company (PSC) is a public shareholding company and is registered under the Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the UAE. The company mainly issues short term insurance contracts in connection with motor, marine, fire and engineering, general accident, medical and group life risks (collectively termed as general insurance). The Company also invests its funds in investment securities. The registered address of the Company is P.O. Box 3027, Dubai, United Arab Emirates. The Company operates from Dubai and most of the insurance policies are issued in the UAE.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention except for the measurement at fair value of those financial instruments that have been measured at fair value.

The financial statements have been presented in UAE Dirhams.

The Company presents its balance sheet broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the balance sheet date (current) and more than twelve months after the balance sheet date (non-current), presented in the notes.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and applicable requirements of UAE Law.

2.2 ACCOUNTING STANDARDS ISSUED BUT NOT ADOPTED

The Company has not adopted new standards, interpretations and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods.

Adoption of these standards or interpretations will not have any significant effects on the financial performance or position of the Company. The following standards or interpretations may be relevant to the Company.

IFRS 8 Operating Segments

IFRS 8 *Operating Segments* was issued by the IASB in November 2006, becoming effective for periods commencing on or after 1 January 2009. The new Standard may require changes in the way the Company discloses information about its operating segments.

IAS 1 Presentation of Financial Statements

A revised IAS 1 *Presentation of Financial Statements* was issued in September 2007 and becomes effective for the annual periods commencing on or after 1 January 2009. The application of the Standard will result in amendments to the presentation of financial statements.

IAS 40 Investment Properties

The change in the standard allows companies to carry investment properties under construction at fair value. The Company does not currently have any investment property under construction.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2008

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Premiums earned

Premiums on general insurance policies are accounted for on the date of writing of policies except premium income on marine cargo policies which is accounted for on the expected date of voyage. Premiums are adjusted for unearned premium.

Commissions earned

Commissions earned are recognised at the time policies are written.

Other investment income

- (i) Interest income is recognised on a time proportion basis.
- (ii) Dividend income is accounted for when the right to receive payment is established.

Realised gains and losses

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and on investment property. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Trade and settlement date accounting

All "regular way" purchases and sale of financial assets are recognised on the "trade date", i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries are charged to income as incurred. Provision for incurred but not reported claims is included within additional reserve.

The Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. Any difference between the provisions at the balance sheet date and settlements and provisions for the following year is included in the underwriting account for that year.

Policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the income statement when incurred.

Liability adequacy test

At each balance sheet date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the balance sheet date.

General and administration expenses

Direct expenses of general insurance business are charged to respective departmental revenue accounts. Indirect expenses of the general insurance business are allocated to departmental revenue accounts on the basis of gross retained premiums of each department. Other administration expenses are charged to the income statement.

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The Company presentation currency is UAE Dirhams (AED). This is also the functional currency of the Company. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement, except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in equity.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Product classification

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

The Company does not have any investment contracts or any insurance contracts with Discretionary Participation Features (DPF).

Office equipment and vehicles

Office equipment and vehicles are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	over 3 to 5 years
Office building	over 25 years

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognised in the income statement as an expense.

An item of office equipment and vehicles is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent expenditure is added to the carrying value of investment properties when it is probable that future economic benefits in excess of the originally assessed standard of performance will flow to the Company. Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance expenses and is charged to the income statement in the period in which it is incurred.

Subsequently, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of 4-33 years. All subsequent additions are depreciated over the remaining useful lives of investment properties.

No depreciation is charged on land.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

Financial assets

The Company classifies its investments into financial assets at fair value through profit or loss and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired or originated.

Financial assets at fair value through profit or loss, has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or which are not classified in any of the above categories. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the income statement.

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Insurance receivables

Provision is made against insurance receivables as soon as they are considered doubtful of recovery.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the balance sheet.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contract liabilities

(i) Unearned premium reserve

At the end of each year a proportion of net retained premiums of the general insurance, medical and group life business is provided to cover portions of risks which have not expired at the balance sheet date. The reserves are calculated in accordance with Federal Law No. 9 of 1984 (as amended) relating to insurance companies at 40% of annual premiums earned net of reinsurance for all classes of insurance except marine which is calculated at 25%. Unearned premium reserves for medical and group life business are calculated on a time proportion basis.

(ii) Additional reserve

A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the balance sheet date.

The reserves represent the management's best estimates on the basis of:

- a) claims reported during the year
- b) delay in reporting these claims

(iii) Outstanding claims

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the balance sheet date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

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

Employees' end of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through income statement or available for sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Company has the intention and ability to hold these to maturity.

The Company classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

The Company classifies investments as fair value through income statement if management evaluates their performance on a fair value basis.

All other investments are classified as available for sale.

Impairment of equity investments

The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists giving due consideration to other factors, including normal volatility in share prices for quoted equities and the future cash flows and the discount factors for unquoted equities.

Operating lease commitments

The Company has entered into commercial property leases on its investment property. The Company, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same ;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Provision for outstanding claims, whether reported or not

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the balance sheet date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Impairment losses on insurance receivables

The Company reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant insurance receivables, the Company also makes a collective impairment provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

Reinsurance

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a regular basis the evolution of disputes with and the strength of its reinsurers.

3 NET INSURANCE PREMIUM REVENUE

Year 2008

	<i>Gross AED</i>	<i>Reinsurers' share AED</i>	<i>Net AED</i>
Gross premiums	121,348,662	65,159,682	56,188,980
Movement in provision for unearned premiums	(12,046,103)	(13,039,250)	993,147
Insurance premium revenue	109,302,559	52,120,432	57,182,127
Unearned premium as of 31 December	(37,823,647)	(23,509,045)	(14,314,602)

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

3 NET INSURANCE PREMIUM REVENUE (continued)

Year 2007

	<i>Gross AED</i>	<i>Reinsurers' share AED</i>	<i>Net AED</i>
Insurance contracts premium receivable	61,297,675	27,691,651	33,606,024
Movement in provision for unearned premiums	(16,558,854)	(4,815,447)	(11,743,407)
Insurance premium revenue	<u>44,738,821</u>	<u>22,876,204</u>	<u>21,862,617</u>
Unearned premium as of 31 December	<u>25,777,544</u>	<u>10,469,795</u>	<u>15,307,749</u>

Insurance contracts premium receivable includes AED 2.35 million (2007: AED 1.34 million) of reinsurance premium accepted.

4 CLAIMS

Year 2008

	<i>Gross AED</i>	<i>Reinsurers' share AED</i>	<i>Net AED</i>
Claims paid	44,607,884	25,702,890	18,904,994
Changes in provision for outstanding claims	21,142,717	15,649,205	5,493,512
Movement in additional reserve (note 24)	1,500,000	-	1,500,000
	<u>67,250,601</u>	<u>41,352,095</u>	<u>25,898,506</u>

Year 2007

	<i>Gross AED</i>	<i>Reinsurers' share AED</i>	<i>Net AED</i>
Claims paid	35,895,835	28,185,643	7,710,192
Changes in provision for outstanding claims	(18,072,415)	(21,504,959)	3,432,544
Movement in additional reserve (note 24)	(400,000)	-	(400,000)
	<u>17,423,420</u>	<u>6,680,684</u>	<u>10,742,736</u>

For details of the movement in the provision for outstanding claims and the related reinsurers' share, refer note 24.

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2008

5 SEGMENTAL INFORMATION

Primary segment information

For management purposes the Company is organised into two business segments; insurance and investment. The insurance segment comprises motor, marine, fire, engineering, general accident, medical and group life insurance. Investment comprises investment and cash management for the Company's own account. These segments are the basis on which the Company reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Segmental information is presented below:

	2008 AED	2007 AED
Insurance		
Underwriting income	68,986,058	28,984,536
Underwriting expenses	(52,894,057)	(21,525,491)
Net underwriting income	16,092,001	7,459,045
Investment		
Investment income	54,745,091	37,974,939
Unallocated other income and expenses	(3,662,551)	(1,358,631)
Profit for the year	67,174,541	44,075,353

OTHER INFORMATION

	General Insurance		Investment		Total	
	2008 AED	2007 AED	2008 AED	2007 AED	2008 AED	2007 AED
Segment assets	143,263,878	75,265,604	283,174,311	436,353,168	426,438,189	511,618,772
Segment liabilities	115,954,584	62,935,239	-	-	115,954,584	62,935,239
Capital expenditure	1,917,809	427,681	-	-	1,917,809	427,681
Depreciation	616,752	243,902	735,660	735,660	1,352,412	979,562

Secondary segment information

For operational and management reporting purposes, the company is organised as one geographical segment. Consequently, no secondary segment information is required to be provided.

6 REALISED GAINS

	2008 AED	2007 AED
Available-for-sale financial assets		
Net realised gains on equity	38,747,034	18,563,346
Investment property		
Gain on sale of investment property	18,016,362	-
Held-for-trading financial assets		
Net realised gains on equity	40,130	6,346,932
Office equipment and vehicles		
Loss on sale of office equipment and vehicles	-	(33,137)
Total realised gains for financial assets	56,803,526	24,877,141

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

7 FAIR VALUE (LOSSES) GAINS

	<i>2008</i> <i>AED</i>	<i>2007</i> <i>AED</i>
Fair value (losses) gain on financial investments held for trading	<u>(471,991)</u>	<u>318,444</u>

8 OTHER INVESTMENT INCOME

	<i>2008</i> <i>AED</i>	<i>2007</i> <i>AED</i>
Rental income from investment properties	1,770,430	1,754,647
Investment property expenses	(1,499,112)	(1,207,626)
	<u>271,318</u>	<u>547,021</u>
Financial assets at fair value through profit or loss (held for trading purposes)		
Dividend income	123,284	1,806,114
Held-to-maturity financial assets interest income	21,857	136,259
Available-for-sale financial assets		
Dividend income	6,282,218	7,553,270
Cash and cash equivalents and statutory deposits interest income	2,704,257	2,736,690
	<u>9,402,934</u>	<u>12,779,354</u>

9 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	<i>2008</i> <i>AED</i>	<i>2007</i> <i>AED</i>
Staff costs	<u>8,249,180</u>	<u>4,239,881</u>

10 EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the year, net of directors' fees by the weighted average number of shares outstanding during the year as follows:

	<i>2008</i>	<i>2007</i>
Profit for the year, net of directors' fees (AED)	<u>66,274,541</u>	<u>43,375,353</u>
Weighted average number of shares outstanding during the year	<u>10,000,000</u>	<u>10,000,000</u>
Earnings per share (AED)	<u>6.63</u>	<u>4.34</u>

The earnings per share as reported for the prior period has been adjusted for the effect of bonus shares issued during the period.

The Company has not issued any instruments which would have an impact on earnings per share when exercised.

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2008

11 OFFICE EQUIPMENT AND VEHICLES

	<i>Furniture and equipment AED</i>	<i>Motor vehicles AED</i>	<i>Total AED</i>
Cost:			
At 1 January 2008	1,226,224	222,000	1,448,224
Additions	1,697,809	220,000	1,917,809
At 31 December 2008	2,924,033	442,000	3,366,033
Depreciation:			
At 1 January 2008	819,877	126,500	946,377
Provided during the year	506,252	110,500	616,752
Disposals			
At 31 December 2008	1,326,129	237,000	1,563,129
Net carrying amount:			
At 31 December 2008	1,597,904	205,000	1,802,904

	<i>Furniture and equipment AED</i>	<i>Motor vehicles AED</i>	<i>Total AED</i>
Cost:			
At 1 January 2007	798,543	362,000	1,160,543
Additions	427,681	-	427,681
Disposals	-	(140,000)	(140,000)
At 31 December 2007	1,226,224	222,000	1,448,224
Depreciation:			
At 1 January 2007	654,888	104,450	759,338
Provided during the year	164,989	78,913	243,902
Disposals	-	(56,863)	(56,863)
At 31 December 2007	819,877	126,500	946,377
Net carrying amount:			
At 31 December 2007	406,347	95,500	501,847

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

12 INVESTMENT PROPERTY

	<i>Land AED</i>	<i>Building AED</i>	<i>Total AED</i>
Cost:			
At 1 January 2008	1,669,725	18,391,504	20,061,229
Depreciation:			
At 1 January 2008	-	16,168,279	16,168,279
Provided during the year	-	735,660	735,660
At 31 December 2008	-	16,903,939	16,903,939
Net carrying amount:			
At 31 December 2008	1,669,725	1,487,565	3,157,290

	<i>Land AED</i>	<i>Building AED</i>	<i>Total AED</i>
Cost:			
At 1 January 2007	1,669,725	18,391,504	20,061,229
Depreciation:			
At 1 January 2007	-	15,432,619	15,432,619
Provided during the year	-	735,660	735,660
At 31 December 2007	-	16,168,279	16,168,279
Net carrying amount:			
At 31 December 2007	1,669,725	2,223,225	3,892,950

The fair value of the investment property as of 31 December 2008 based on a valuation done by an independent valuer amounted to AED 66,000,000 (2007: AED 35,000,000).

13 FINANCIAL ASSETS AT FAIR VALUES THROUGH PROFIT OR LOSS

	<i>2008 AED</i>	<i>2007 AED</i>
Trading securities	5,050,948	6,992,122

14 HELD TO MATURITY FINANCIAL ASSETS

	<i>2008 AED</i>	<i>2007 AED</i>
Unquoted bonds - at cost	-	1,849,505

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 AED	2007 AED
Shares quoted	164,659,655	349,435,335
Shares - unquoted	12,880,350	12,880,350
	177,540,005	362,315,685

Unquoted shares are carried at cost less impairment in value due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a reliable fair value.

16 INSURANCE RECEIVABLES

	2008 AED	2007 AED
Premiums and insurance companies' balances receivable	62,826,215	31,610,333
Due from re-insurance companies in respect of settled claims	3,480,203	1,871,020
	66,306,418	33,481,353

All of the above amounts are due within twelve month of the balance sheet date. The reinsurers' shares of claims not paid by the Company at the balance sheet date are disclosed in note 24. The amounts due from reinsurers are normally settled on a quarterly basis.

As at 31 December 2008, premiums and insurance companies' balances receivables at nominal value of AED 1,409,864 (2007: AED 776,864) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2008 AED	2007 AED
At 1 January	776,864	776,864
Charge for the year	633,000	-
At 31 December	1,409,864	776,864

17 PREPAYMENTS AND ACCRUED INCOME

	2008 AED	2007 AED
Accrued income	804,812	532,351
Staff debtors and advances	492,673	372,548
Other receivables	347,406	198,894
Prepayments	754,697	164,333
	2,399,588	1,268,126

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

18 STATUTORY DEPOSITS

	<i>2008</i> <i>AED</i>	<i>2007</i> <i>AED</i>
Bank deposits:		
Amounts that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 41 of Federal Law No. 9 of 1984	<u>10,000,000</u>	<u>7,500,000</u>

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	<i>2008</i> <i>AED</i>	<i>2007</i> <i>AED</i>
Deposits with banks maturing within three months	75,772,618	41,133,656
Bank balances and cash	<u>13,810,034</u>	<u>12,257,799</u>
	<u>89,582,652</u>	<u>53,391,455</u>

20 SHARE CAPITAL

	<i>2008</i> <i>AED</i>	<i>2007</i> <i>AED</i>
Issued and fully paid 10,000,000 shares of AED 10 each (2007: - 7,500,000 shares of AED 10 each)	<u>100,000,000</u>	<u>75,000,000</u>

21 STATUTORY RESERVE

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the net profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. Accordingly, no amount has been transferred to statutory reserve. The reserve is not available for distribution except in the circumstances stipulated by the law.

22 GENERAL RESERVE

The reserve is available for distribution.

23 PROPOSED DIVIDENDS

	<i>2008</i> <i>AED</i>	<i>2007</i> <i>AED</i>
Declared and paid:		
Scrip dividend for 2007 of AED 3.33 per share of AED 10 each (2006: AED 1 per share of AED 10 each)	<u>25,000,000</u>	<u>-</u>
	<u>-</u>	<u>7,500,000</u>
Proposed for approval at Annual General Meeting:		
Cash dividend for 2008 of AED 3 per share of AED 10 each (2007: Scrip dividend of AED 3.33 per share of AED 10 each)	<u>30,000,000</u>	<u>-</u>
	<u>-</u>	<u>25,000,000</u>

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

24 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>Gross</i>		<i>Reinsurers' share</i>		<i>Net</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Unearned premium reserve (Note 3)	37,823,647	25,777,544	23,509,045	10,469,795	14,314,602	15,307,749
Additional Reserve (Note 24(a))	3,300,000	1,800,000	-	-	3,300,000	1,800,000
Outstanding Claims (Note 24(b))	37,327,187	16,184,470	25,435,889	9,786,684	11,891,298	6,397,786
	<u>78,450,834</u>	<u>43,762,014</u>	<u>48,944,934</u>	<u>20,256,479</u>	<u>29,505,900</u>	<u>23,505,535</u>

24 (a) Additional Reserve

	<i>AED</i>
At 1 January 2008	1,800,000
Increase	<u>1,500,000</u>
31 December 2008	<u>3,300,000</u>
	<i>AED</i>
At 1 January 2007	2,200,000
Decrease	<u>(400,000)</u>
31 December 2007	<u>1,800,000</u>

24 (b) Outstanding claims

	<i>Outstanding claims AED</i>	<i>Due from reinsurers AED</i>	<i>Net AED</i>
At 1 January 2007	34,256,885	31,291,643	2,965,242
Net increase (Note 4)	<u>(18,072,415)</u>	<u>(21,504,959)</u>	<u>3,432,544</u>
At 31 December 2007	16,184,470	9,786,684	6,397,786
Net increase (Note 4)	<u>21,142,717</u>	<u>15,649,205</u>	<u>5,493,512</u>
At 31 December 2008	<u>37,327,187</u>	<u>25,435,889</u>	<u>11,891,298</u>

Claims development

There are no material amounts for which amount and timing of claims payment is not resolved within one year of the balance sheet date.

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2008

25 TRADE AND OTHER PAYABLES

	<i>2008</i> <i>AED</i>	<i>2007</i> <i>AED</i>
Premiums collected in advance	1,305,799	642,990
Provision for staff costs	2,200,000	400,000
Other creditors and accruals	14,371,049	8,247,884
Employees' end of service benefits (Note 26)	1,089,097	1,392,062
	<u>18,965,945</u>	<u>10,682,936</u>

26 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the balance sheet are as follows:

	<i>2008</i> <i>AED</i>	<i>2007</i> <i>AED</i>
Provision as at 1 January	1,392,062	1,364,452
Provided during the year	174,085	132,213
End of service benefits paid	(477,050)	(104,603)
	<u>1,089,097</u>	<u>1,392,062</u>
Provision as at 31 December	<u>1,089,097</u>	<u>1,392,062</u>

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

27 RELATED PARTY TRANSACTIONS

Related parties represent, major shareholders, directors and key management personnel of the company, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Company's management.

The significant balances outstanding at 31 December in respect of related parties included in the financial statements are as follows:

	<i>2008</i> <i>AED</i>	<i>2007</i> <i>AED</i>
<i>Affiliates of major shareholders:</i>		
Amounts due from related parties	6,483,633	6,830,399
Amounts due to related parties	539,753	716,530
Outstanding claims	8,514,026	6,601,647

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2008

The income and expenses in respect of related parties included in the financial statements are as follows:

	2008 AED	2007 AED
<i>Affiliates of major shareholders:</i>		
Premiums	25,020,998	22,340,424
Claims	8,403,328	22,669,487
Rent received	238,041	53,100

Compensation of the key management personnel is as follows:

	2008 AED	2007 AED
Short term employee benefits	2,949,836	1,727,500
End of service benefits	360,160	297,220
Total compensation paid to key management personnel	3,309,996	2,024,720

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2008 and 31 December 2007, the Company has not recorded any impairment of amounts owed by related parties.

28 DIRECTORS' FEES

Directors' fees have been included as an appropriation of net profit for the year in accordance with the interpretation of the Commercial Companies Law of 1984 (as amended) by the Ministry of Economy.

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets include bank balances and cash, deposits, investment securities, receivables, payables and certain other assets and liabilities.

The fair values of the financial assets and liabilities, with the exception of unquoted investments in shares carried at cost (Note 10), are not materially different from their carrying values.

30 RISK MANAGEMENT

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

30 RISK MANAGEMENT (continued)

(a) Governance framework (continued)

The Company's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the General Manager and senior managers.

The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The General Manager under the authority delegated from the board of directors defines the Company's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management framework

The primary objective of the Company's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The General Manager actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

The General Manager regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

30A Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company has a small portfolio of life assurance contracts.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

30 RISK MANAGEMENT (continued)

30A Insurance risk

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property, motor, marine, medical, group life and personal accident risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Property

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property insurance contracts the main risks are fire and business interruption. In recent years the Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim to AED 500,000.

Motor

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company has reinsurance cover for such claims to limit losses for any individual claim to AED 200,000.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance to limit losses for any individual claim to AED125,000.

Medical, group life and personal accident

Medical insurance is designed to compensate the contract holders for medical costs. Group life and personal accident insurance entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability.

For medical insurance, the main risks are illness and related healthcare costs. For group life and personal accident the main risks are claims from death and permanent or partial disability. The Company generally does not offer medical insurance to walk-in customers. Medical, group life and personal accident insurance are generally offered to corporate customers with large population to be covered under the policy.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

30 RISK MANAGEMENT (continued)

30A Insurance risk (continued)

Geographical concentration of risks

The insurance risk arising from insurance contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to last year.

In accordance with the requirement of Securities Authority and Commodities (Circular dated 12-10-2008) following are the details of geographical concentration of assets of Company's financial statements as of 31 December 2008 are mentioned below:

(a) Investment property

Investment properties represent Company's investments in freehold land and building situated in Emirate of Dubai, United Arab Emirates.

(b) Financial assets – investments

Investment in financial assets represent investments in quoted and unquoted shares of companies incorporated in United Arab Emirates.

(c) Cash and cash equivalents

Cash and cash equivalents of the Company are with Banks registered and operates in United Arab Emirates.

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. The Company deals with reinsurers approved by the Board of Directors.

The five largest reinsurers account for 81% of amounts due from reinsurance companies at 31 December 2008 (2007: 98%). The maximum theoretical credit risk exposure in this connection is mainly in Europe.

30B Financial risk

The Company's principal financial instruments are financial investments (at fair value through profit or loss and available for sale), receivables arising from insurance and reinsurance contracts, statutory deposits and cash and cash equivalents.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

30 RISK MANAGEMENT (continued)

30B Financial risk (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the balance sheet.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company's available for sale investments and at fair value through profit or loss investments are managed by the General Manager in accordance with the guidance of the Chairman and the supervision of the Board of Directors.
- The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

The table below shows the maximum exposure to credit risk for the components of the balance sheet:

	<i>Notes</i>	2008 AED	2007 AED
Financial assets			
At fair value through profit or loss	13	5,050,948	6,992,122
Held-to-maturity	14	-	1,849,505
Available for sale	15	177,540,005	362,315,685
Reinsurance assets	24	48,944,934	20,256,479
Insurance receivables	16	66,306,418	33,481,353
Other receivables (excluding prepayments)		1,644,891	1,103,793
Statutory deposits	18	10,000,000	7,500,000
Cash and cash equivalents	19	89,582,652	53,391,455
TOTAL CREDIT RISK EXPOSURE		399,069,848	486,890,392

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes.

Insurance receivables comprise a large number of customers and insurance companies mainly within the United Arab Emirates. Reinsurance assets are from reinsurance companies based mainly in Europe and the Middle East.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

30 RISK MANAGEMENT (continued)

30B Financial risk (continued)

Credit risk (continued)

The Company's financial position can be analysed by the following geographical regions:

	2008			2007		
	<i>Assets</i>	<i>Liabilities and equity</i>	<i>Contingent liabilities and commitments</i>	<i>Assets</i>	<i>Liabilities and equity</i>	<i>Contingent liabilities and commitments</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
United Arab Emirates	373,254,589	97,416,779	31,728,450	486,125,128	502,428,483	189,023,250
Europe	38,180,555	13,903,354	-	17,329,637	6,116,590	-
Rest of the world	15,003,045	4,634,451	-	8,164,007	3,073,699	-
Total	426,438,189	115,954,584	31,728,450	511,618,772	511,618,772	189,023,250

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

31 December 2008

	<i>Neither past due nor impaired</i>				
	<i>High grade</i>	<i>Standard grade</i>	<i>Sub-standard grade</i>	<i>Past due and impaired</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Financial investments					
At fair value through profit or loss	5,050,948	-	-	-	5,050,948
Held-to-maturity	-	-	-	-	-
Available for sale	177,540,005	-	-	-	177,540,005
Reinsurance assets	48,944,934	-	-	-	48,944,934
Insurance receivables	66,306,418	-	-	1,409,864	67,716,282
Other receivables (excluding prepayments)	1,644,891	-	-	-	1,644,891
Statutory deposits	10,000,000	-	-	-	10,000,000
Cash and cash equivalents	89,582,652	-	-	-	89,582,652
	399,069,848	-	-	1,409,864	400,479,712
Less: Impairment provision					(1,409,864)
					399,069,848

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

30 RISK MANAGEMENT (continued)

30B Financial risk (continued)

Credit risk (continued)

31 December 2007

	<i>Neither past due nor impaired</i>				
	<i>High grade AED'000</i>	<i>Standard grade AED'000</i>	<i>Sub-standard grade AED'000</i>	<i>Past due and impaired AED'000</i>	<i>Total AED'000</i>
Financial assets					
At fair value through profit or loss	6,992,122	-	-	-	6,992,122
Held-to-maturity	1,849,505	-	-	-	1,849,505
Available for sale	362,315,685	-	-	-	362,315,685
Reinsurance assets	20,256,479	-	-	-	20,256,479
Insurance receivables	33,481,353	-	-	776,864	34,258,217
Other receivables (excluding prepayments)	1,103,793	-	-	-	1,103,793
Statutory deposits	7,500,000	-	-	-	7,500,000
Cash and cash equivalents	53,391,455	-	-	-	53,391,455
	<u>486,890,392</u>	<u>-</u>	<u>-</u>	<u>776,864</u>	<u>487,667,256</u>
Less: Impairment provision					(776,864)
					<u>486,890,392</u>

The following table provides an age analysis of receivables arising from insurance and reinsurance contracts past due but not impaired:

	<i>Past due but not impaired</i>						
	<i>90 days AED</i>	<i>91 to 180 days AED</i>	<i>181 to 270 days AED</i>	<i>271 to 365 days AED</i>	<i>> 365 days AED</i>	<i>Total AED</i>	<i>Past due and impaired AED</i>
2008	32,273,851	14,216,415	9,509,532	5,079,490	6,636,994	67,716,282	(1,409,864)
2007	23,070,497	6,894,579	2,733,464	480,333	1,079,344	34,258,217	(776,864)

For assets to be classified as 'past due and impaired' contractual payments in arrears are more than 180 days and an impairment adjustment is recorded in the statement of income for this. When the credit exposure is adequately secured or when management is confident of settlement, arrears more than 180 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with insurance contracts and financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

30 RISK MANAGEMENT (continued)

The table below summarises the maturity of the assets and liabilities of the Company based on remaining undiscounted contractual obligations.

	31 December 2008			31 December 2007		
	Less than one year AED	More than one year AED	No Term AED	Less than one year AED	More than one year AED	Total AED
ASSETS						
Office equipment and vehicles	-	1,802,904	-	-	501,847	501,847
Investment property	-	3,157,290	-	-	2,223,225	3,892,950
Financial instruments						
Financial asset at fair value through profit or loss	-	-	5,050,948	-	6,992,122	6,992,122
Held-to-maturity financial assets	-	-	-	1,849,505	-	1,849,505
Available for sale financial assets	-	-	177,540,005	-	362,315,685	362,315,685
Advance for purchase of investment property	-	21,653,450	-	-	20,169,250	20,169,250
Reinsurance assets	48,944,934	-	-	-	-	48,944,934
Insurance receivables	66,306,418	-	-	20,256,479	-	20,256,479
Prepayments and accrued income	2,399,588	-	-	33,481,353	-	33,481,353
Statutory deposits	10,000,000	-	-	1,268,126	-	1,268,126
Cash and cash equivalents	89,582,652	-	-	7,500,000	-	7,500,000
TOTAL ASSETS	217,233,592	26,613,644	182,590,953	117,746,918	22,894,322	511,618,772
EQUITY AND LIABILITIES						
Equity						
Share capital	-	-	100,000,000	-	-	75,000,000
Statutory reserve	-	-	44,217,454	-	-	37,500,000
General reserve	-	-	3,500,000	-	-	3,500,000
Retained earnings	-	-	84,248,732	-	-	54,691,645
Proposed dividends	-	-	30,000,000	-	-	25,000,000
Cumulative changes in fair values of securities	-	-	48,517,419	-	-	252,291,888
Total equity	-	-	310,483,605	-	-	447,983,533
Liabilities						
Insurance contract liabilities	78,450,834	-	-	43,762,014	-	43,762,014
Amounts held under reinsurance treaties	10,064,486	-	-	4,765,782	-	4,765,782
Reinsurance balances payable	8,473,319	-	-	4,424,507	-	4,424,507
Trade and other payables	18,965,945	-	-	10,682,936	-	10,682,936
Total liabilities	115,954,584	-	-	63,635,239	-	63,635,239
TOTAL EQUITY AND LIABILITIES	115,954,584	-	310,483,605	63,635,239	-	511,618,772

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

30 RISK MANAGEMENT (continued)

30B Financial risk (continued)

MARKET RISK

Market risk arises from fluctuations in foreign exchange rates, interest rates and equity prices. The value of risk that may be accepted by the Company is monitored on a regular basis by the General Manager.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

Other than investments amounting to AED nil (2007: AED 1,849,505) denominated in Canadian Dollars, the Company does not have any other foreign currency balances.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company is exposed to interest rate risk on certain of its held-to-maturity investment and cash and cash equivalents. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments and borrowings are denominated.

The maturities profile for all major classes of interest bearing financial instruments, fall due within less than 1 year as at 31 December are as follows:

31 December 2008

	Total AED	Effective interest rate
Time deposits	85,772,618	6.75% to 4%
	85,772,618	

31 December 2007

	Total AED	Effective interest rate
Time deposits	48,633,656	5% to 5.35%
Held-in maturity	1,849,505	7.25%
	50,483,161	

There is no significant difference between contractual repricing or maturity dates.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2008

30 RISK MANAGEMENT (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity of statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2008.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit before taxation for the year AED</i>
2008	+25	214,432
	-50	(428,863)
2007	+25	126,208
	-50	(252,146)

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as available-for-sale at 31 December 2008) and on income statement due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2008			2007		
	<i>Change in equity price %</i>	<i>Effect on equity AED</i>	<i>Effect on income statement AED</i>	<i>Change in equity price %</i>	<i>Effect on equity AED</i>	<i>Effect on income statement AED</i>
All investments (Mainly Dubai Financial Market and Abu Dhabi Stock Market)	10	16,465,966	505,094	10	34,943,533	699,212

OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2008

31 CAPITAL COMMITMENTS

	<i>2008</i>	<i>2007</i>
	<i>AED</i>	<i>AED</i>
Commitment in respect of purchase of investment properties (plots of land in the UAE)	21,653,450	181,523,250

32 CONTINGENCIES

Contingent liabilities

At 31 December 2008 the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 10,075,000 (2007: 7,500,000).

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

33 SUBSEQUENT EVENT

As a result of the ongoing global credit crisis, financial markets regionally have been subject to significant declines during the period. As of the date of approval of the financial statements, the market value of the Company's available for sale investments had declined by approximately AED 10.8M (6%) from the balance sheet market value.