

Dubai Insurance Company
(Public Shareholding Company)

FINANCIAL STATEMENTS

31 DECEMBER 2009

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 statement of financial position as at 31 December 2009, statement of income, statement of comprehensive income, statement of changes in equity and the statement of cash flows 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.

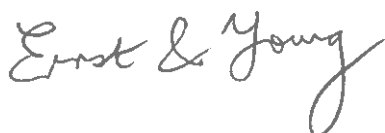
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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 that reads 'Ernst & Young'.

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

3 February 2010
Dubai

Dubai Insurance Company (PSC)

STATEMENT OF INCOME

For the year ended 31 December 2009

	<i>Notes</i>	2009 AED'000	2008 AED'000
UNDERWRITING INCOME			
Gross premiums		160,540	121,349
Movement in provision for unearned premiums		(9,321)	(12,046)
Insurance premium revenue	3	151,219	109,303
Reinsurers' share of premium	3	(73,732)	(52,120)
Net insurance premium revenue		77,487	57,183
Commission income		13,188	10,693
Other operating income		1,065	1,111
		91,740	68,987
UNDERWRITING EXPENSES			
Claims	4	118,245	67,251
Reinsurers' share of claims	4	(82,811)	(41,352)
Commissions paid		27,161	16,979
Excess of loss reinsurance premium		1,202	1,648
General and administration expenses relating to underwriting activities		9,612	8,369
		73,409	52,895
NET UNDERWRITING INCOME		18,331	16,092
INVESTMENT INCOME			
Realised gains	6	1,838	56,804
Fair value loss on held for trading securities		(863)	(472)
Impairment of available for sale securities		-	(10,989)
Other investment income	7	10,370	9,403
		11,345	54,746
OTHER INCOME AND EXPENSES			
General and administration expenses not allocated		(3,137)	(3,380)
Other income (expenses)		704	(283)
		(2,433)	(3,663)
PROFIT FOR THE YEAR	8	27,243	67,175
Basic and diluted earnings per share (AED)	9	2.63	6.63

The attached notes 1 to 28 form part of these financial statements.

Dubai Insurance Company (PSC)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	<i>Notes</i>	<i>2009 AED'000</i>	<i>2008 AED'000</i>
Profit for the year		27,243	67,175
Other comprehensive income			
Net unrealised losses on available for sale investments		(4,025)	(165,027)
Net realised gains transferred to statement of income on disposal of available-for-sale investments	6	-	(38,747)
Other comprehensive loss for the year		(4,025)	(203,774)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		23,218	(136,599)

The attached notes 1 to 28 form part of these financial statements.

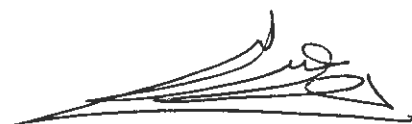
Dubai Insurance Company (PSC)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 AED'000	2008 AED'000
ASSETS			
Office equipment and vehicles	10	1,602	1,803
Investment property	11	2,421	3,157
Advance for investment property		32,315	21,653
Financial instruments			
Financial assets at fair value through profit or loss	12	64,607	5,051
Available-for-sale financial assets	12	170,835	177,540
Reinsurance assets	21	91,900	48,945
Insurance receivables	14	78,322	66,306
Prepayments and other receivables	15	3,945	2,400
Statutory deposits	16	10,000	10,000
Cash and cash equivalents	17	12,200	89,583
TOTAL ASSETS		468,147	426,438
EQUITY AND LIABILITIES			
Equity			
Share capital	18	100,000	100,000
Statutory reserve	19	46,941	44,217
General reserve	19	3,500	3,500
Retained earnings		82,868	84,249
Proposed dividends – cash	20	25,000	30,000
Available-for-sale (AFS) reserve		44,493	48,518
Total equity		302,802	310,484
Liabilities			
Insurance contract liabilities	21	124,818	78,450
Amounts held under reinsurance treaties		8,969	10,065
Reinsurance balances payable		13,041	8,473
Trade and other payables	22	18,517	18,966
Total liabilities		165,345	115,954
TOTAL EQUITY AND LIABILITIES		468,147	426,438

The financial statements were authorised for issue in accordance with a resolution of the directors on 3 February 2010.



Mr. Buti Obaid Almula
Chairman



Mr. Marwan Abdulla Al Rostamani
Vice Chairman

The attached notes 1 to 28 form part of these financial statements.

Dubai Insurance Company (PSC)

STATEMENT OF CASH FLOW

For the year ended 31 December 2009

	Notes	2009 AED '000	2008 AED '000
OPERATING ACTIVITIES			
Profit for the year		27,243	67,175
Adjustments for:			
Depreciation on office equipment and vehicle	10	857	616
Depreciation on investment property	11	736	736
Impairment of available for sale securities		-	10,989
Provision for employees' end of service benefits	23	292	174
Gain on sale of available-for-sale financial assets	6	(1,838)	(38,747)
Gain on sale of advance for investment property		-	(18,016)
		<u>27,290</u>	<u>22,927</u>
Changes in operating assets and liabilities:			
Financial investments at fair value through profit or loss		(59,556)	1,941
Reinsurance assets		(42,955)	(28,688)
Insurance receivables		(12,016)	(32,825)
Prepayments and other assets		(1,545)	(1,132)
Insurance contract liabilities		46,368	34,689
Amounts held under reinsurance treaties		(1,096)	5,299
Reinsurance balances payable		4,568	4,049
Trade and other payables		(724)	8,587
		<u>(39,666)</u>	<u>14,847</u>
Cash generated from operations			
Employees' end of service paid	23	(17)	(477)
		<u>(39,683)</u>	<u>14,370</u>
Net cash (used in) from operating activities			
		<u>(39,683)</u>	<u>14,370</u>
INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets		-	(38,768)
Proceeds from sale of available-for-sale financial assets		4,518	47,526
Advance made on purchase of investment property		(10,662)	(1,484)
Payments made for purchase of investment property		-	(47,516)
Purchase of office equipment and vehicles	10	(656)	(1,918)
Proceeds from investment in held-to-maturity		-	1,850
Proceeds from sale of investment property		-	65,532
Statutory deposits		-	(2,500)
		<u>(6,800)</u>	<u>22,722</u>
Net cash (used in) from investing activities			
		<u>(6,800)</u>	<u>22,722</u>
FINANCING ACTIVITIES			
Dividend paid		(30,000)	-
Directors' fees		(900)	(900)
		<u>(30,900)</u>	<u>(900)</u>
Net cash used in financing activities			
		<u>(30,900)</u>	<u>(900)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(77,383)</u>	<u>36,192</u>
Cash and cash equivalents at 1 January		89,583	53,391
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17	<u>12,200</u>	<u>89,583</u>

The attached notes 1 to 28 form part of these financial statements.

Dubai Insurance Company (PSC)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Retained earnings AED '000	Proposed dividend AED '000	Available for-sale (AFS) reserve AED '000	Total AED '000
As at 1 January 2009	100,000	44,217	3,500	84,249	30,000	48,518	310,484
Profit for the year	-	-	-	27,243	-	-	27,243
Other comprehensive loss	-	-	-	-	-	(4,025)	(4,025)
Total comprehensive loss	-	-	-	27,243	-	(4,025)	23,218
Transfer	-	2,724	-	(2,724)	-	-	-
Directors' fees	-	-	-	(900)	-	-	(900)
Cash dividend paid	-	-	-	-	(30,000)	-	(30,000)
Proposed dividend-cash	-	-	-	(25,000)	25,000	-	-
As at 31 December 2009	100,000	46,941	3,500	82,868	25,000	44,493	302,802
As at 1 January 2008	75,000	37,500	3,500	54,691	25,000	252,292	447,983
Profit for the year	-	-	-	67,175	-	-	67,175
Other comprehensive loss	-	-	-	-	-	(203,774)	(203,774)
Total comprehensive loss	-	-	-	67,175	-	(203,774)	(136,599)
Transfer	-	6,717	-	(6,717)	-	-	-
Directors' fees	-	-	-	(900)	-	-	(900)
Cash dividend paid	25,000	-	-	-	(25,000)	-	-
Proposed dividend-cash	-	-	-	(30,000)	30,000	-	-
As at 31 December 2008	100,000	44,217	3,500	84,249	30,000	48,518	310,484
Note 18		Note 19	Note 19		Note 20		

The attached notes 1 to 28 form part of these financial statements.

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

1 CORPORATE INFORMATION

Dubai Insurance Company (PSC) ("the Company") 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 (collectively known as general insurance) and medical and group life risks included within life assurance. Furthermore the Company has a relatively small portfolio of life assurance contracts. The Company also invests its funds in investment securities and investment property. The registered address of the Company is P.O. Box 3027, Dubai, United Arab Emirates. The Company operates in United Arab Emirates 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 and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

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

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 statement of income 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 United Arab Emirates Laws.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows: The Company has adopted the following new and amended IFRS interpretations as of 1 January 2009:

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010 (early adopted)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items effective 1 July 2009 (early adopted)
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009
- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009 (early adopted) improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009, early adopted)

Where the adoption of the standard or interpretation is expected to have an impact on the financial statements or performance of the Company, its impact is described below:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Company adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Company.

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for cash-settled share-based payment transactions. The Company adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Company.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended).

The Company adopted the revised standard from 1 January 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. It did not have an impact on the financial position or performance of the Company.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) did not have an impact on the financial position or performance of the Company as the Company does not have any subsidiary.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 13. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 26.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Company concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 5, including the related comparative information.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. This did not have any impact on the financial position or performance of the Company.

IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment did not have any impact in the statement of cash flows.

IAS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group as no government assistance has been received by the Group.

IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

IAS 36 Impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as it does not have goodwill.

IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment had no impact on the financial position of the Group because it does not enter into such promotional activities.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 2 Share-based Payment
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 40 Investment Properties
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Premiums earned

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

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.

Premiums on life assurance policies are accounted for on the date of writing of policies and on subsequent due dates.

Reinsurance premiums

Gross reinsurance premiums on life assurance policies are recognized as an expense when payable or on the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

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.

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Realised gains and losses

Realised gains and losses recorded in the statement of income 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 reporting date and settlements and provisions for the following year is included in the underwriting account for that year.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost

Interest paid is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

Policy acquisition costs

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

Leases

The Company has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

Liability adequacy test

At each reporting 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 reporting 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 statement of income.

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The presentation currency is UAE Dirhams (AED). Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. This is also the functional currency of the Company. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting 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 statement of income, 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 statement of comprehensive income.

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. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes insignificant.

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

Office equipment and vehicle

Office equipment and vehicle 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 statement of income 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 statement of income in the year the asset is derecognised.

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 statement of income 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 25 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 reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

Financial assets

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

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as at fair value through profit or loss, as the Company's strategy is to manage financial investments acquired to cover its insurance and investments contract liabilities (including shareholders' funds), on the same bases, being fair value. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) are passively managed.

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

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.

Held to maturity

Securities which have fixed or determinable payments which are intended to be held to maturity are carried at amortised cost using the effective interest rate method, less provision for impairment in value.

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. After initial measurement, these investments are measured 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 statement of income.

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each reporting 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 statement of income. 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 statement of income;
- (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.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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.

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in have been met.

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 statement of financial position.

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 reporting date. The reserves are calculated in accordance with Federal Law No. 9 of 1984 (as amended) and UAE Federal Law No. (6) of 2007 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 financial position 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 reporting 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 reporting 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.

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 statement of income 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 statement of income 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.

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

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 reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting 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 statement of income. 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.

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

3 NET INSURANCE PREMIUM REVENUE

Year 2009

	General Insurance			Life Assurance			Total	
	Reinsurers'		Net	Reinsurers'		Net	Reinsurers'	
	Gross AED'000	share AED'000		Gross AED'000	share AED'000		Gross AED'000	share AED'000
Gross premiums	83,758	(49,862)	33,896	76,782	(33,099)	43,683	160,540	(82,961)
Movement in provision for unearned premiums	(4,819)	2,865	(1,954)	(4,502)	6,364	1,862	(9,321)	9,229
Insurance premium revenue	<u>78,939</u>	<u>(46,997)</u>	<u>31,942</u>	<u>72,280</u>	<u>(26,735)</u>	<u>45,545</u>	<u>151,219</u>	<u>(73,732)</u>
Unearned premium as of 31 December (Note 21)	<u>32,617</u>	<u>(19,183)</u>	<u>13,434</u>	<u>14,527</u>	<u>(13,555)</u>	<u>972</u>	<u>47,144</u>	<u>(32,738)</u>
							<u>14,406</u>	

Year 2008

	General Insurance			Life Assurance			Total	
	Reinsurers'		Net	Reinsurers'		Net	Reinsurers'	
	Gross AED'000	share AED'000		Gross AED'000	share AED'000		Gross AED'000	share AED'000
Insurance contracts premium receivable	72,426	(43,481)	28,945	48,923	(21,679)	27,244	121,349	(65,160)
Movement in provision for unearned premiums	(10,889)	6,416	(4,473)	(1,157)	6,624	5,467	(12,046)	13,040
Insurance premium revenue	<u>61,537</u>	<u>(37,065)</u>	<u>24,472</u>	<u>47,766</u>	<u>(15,055)</u>	<u>32,711</u>	<u>109,303</u>	<u>(52,120)</u>
Unearned premium as of 31 December (Note 21)	<u>27,798</u>	<u>(16,318)</u>	<u>11,480</u>	<u>10,025</u>	<u>(7,191)</u>	<u>2,834</u>	<u>37,823</u>	<u>(23,509)</u>
							<u>14,314</u>	

Insurance contracts premium receivable includes AED 4,371 thousand (2008: AED 9,991 thousand) of reinsurance premium accepted.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS

4 CLAIMS

	General Insurance			Life Assurance			Total		
	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000
Claims paid	48,745	(29,933)	18,812	32,453	(19,152)	13,301	81,198	(49,085)	32,113
Changes in provision for outstanding claims	32,009	(31,012)	997	2,738	(2,714)	24	34,747	(33,726)	1,021
Movement in additional reserves (note 21(a))	500	-	500	1,800	-	1,800	2,300	-	2,300
	81,254	(60,945)	20,309	36,991	(21,866)	15,125	118,245	(82,811)	35,434

	General Insurance			Life Assurance			Total		
	Reinsurers'			Reinsurers'			Reinsurers'		
	Gross	share	Net	Gross	share	Net	Gross	share	Net
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Claims paid	29,604	(20,775)	8,829	15,005	(4,927)	10,078	44,609	(25,702)	18,907
Changes in provision for outstanding claims	19,670	(14,263)	5,407	1,472	(1,387)	85	21,142	(15,650)	5,492
Movement in additional reserves (note 21(a))	-	-	-	1,500	-	1,500	1,500	-	1,500
	49,274	(35,038)	14,236	17,977	(6,314)	11,663	67,251	(41,352)	25,899

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Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

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:

	<i>General insurance</i>		<i>Life assurance</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
UNDERWRITING INCOME						
Gross premiums	78,939	61,537	72,280	47,766	151,219	109,303
Reinsurers' share of premium	(46,997)	(37,065)	(26,735)	(15,055)	(73,732)	(52,120)
Net insurance premiums revenue	31,942	24,472	45,545	32,711	77,487	57,183
Commission income	12,797	10,470	391	223	13,188	10,693
Other operating income	105	72	960	1,039	1,065	1,111
TOTAL INCOME	44,844	35,014	46,896	33,973	91,740	68,987
UNDERWRITING EXPENSES						
Claims	81,254	49,274	36,991	17,977	118,245	67,251
Reinsurers' share of claims	(60,945)	(35,038)	(21,866)	(6,314)	(82,811)	(41,352)
Net claims incurred	20,309	14,236	15,125	11,663	35,434	25,899
Commission paid	5,563	5,179	21,598	11,800	27,161	16,979
Excess of loss reinsurance premium	1,202	1,063	-	585	1,202	1,648
General and administration expenses relating to underwriting activities	5,111	5,049	4,501	3,320	9,612	8,369
TOTAL EXPENSES	32,185	25,527	41,224	27,368	73,409	52,895
NET UNDERWRITING INCOME	12,659	9,487	5,672	6,605	18,331	16,092
<i>Investment</i>						
TOTAL INVESTMENT INCOME					11,345	54,746
Unallocated other expenses					(2,433)	(3,663)
PROFIT FOR THE YEAR					27,243	67,175

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2009

5 SEGMENTAL INFORMATION (continued)

OTHER INFORMATION

	<i>General insurance</i>		<i>Life assurance</i>		<i>Investment</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Segment assets	<u>190,266</u>	<u>214,352</u>	<u>7,703</u>	<u>4,685</u>	<u>270,178</u>	<u>207,401</u>	<u>468,147</u>	<u>426,438</u>
Segment liabilities	<u>160,507</u>	<u>112,202</u>	<u>4,838</u>	<u>3,752</u>	<u>-</u>	<u>-</u>	<u>165,345</u>	<u>115,954</u>
Capital expenditure	656	1,918	-	-	-	-	656	1,918
Depreciation	857	616	-	-	736	736	1,593	1,352

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

	<i>2009</i>	<i>2008</i>
	<i>AED'000</i>	<i>AED'000</i>
Available-for-sale financial assets		
Net realised gains on quoted shares	-	38,747
Realised gain on disposal of unquoted investments	1,838	-
Investment property		
Gain on sale of investment property	-	18,016
Held-for-trading financial assets		
Net realised gains on equity	-	41
Total realised gains for financial assets	<u>1,838</u>	<u>56,804</u>

7 OTHER INVESTMENT INCOME

	<i>2009</i>	<i>2008</i>
	<i>AED'000</i>	<i>AED'000</i>
Rental income from investment properties	1,973	1,770
Investment property expenses	(1,494)	(1,499)
	<u>479</u>	<u>271</u>
Financial assets at fair value through profit or loss (held for trading purposes)		
Dividend income	35	123
Available-for-sale financial assets		
Dividend income	6,209	6,282
Cash and cash equivalents and statutory deposits interest income	3,647	2,727
	<u>10,370</u>	<u>9,403</u>

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2009

8 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2009 AED'000	2008 AED'000
Staff costs	<u>8,276</u>	<u>8,249</u>
Rental costs – operating leases	<u>280</u>	<u>93</u>

9 BASIC AND DILUTED 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:

	2009	2008
Profit for the year, net of directors' fees (AED'000)	<u>26,343</u>	<u>66,275</u>
Weighted average number of shares outstanding during the year ('000)	<u>10,000</u>	<u>10,000</u>
Earnings per share (AED'000)	<u>2.63</u>	<u>6.63</u>

No figures for diluted earnings per share has been presented because 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

As at 31 December 2009

10 OFFICE EQUIPMENT AND VEHICLE

	<i>Furniture and equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Total AED'000</i>
Cost:			
At 1 January 2009	2,924	442	3,366
Additions	467	189	656
At 31 December 2009	<u>3,391</u>	<u>631</u>	<u>4,022</u>
Depreciation:			
At 1 January 2009	1,325	238	1,563
Charge for the year	685	172	857
At 31 December 2009	<u>2,010</u>	<u>410</u>	<u>2,420</u>
Net carrying amount: At 31 December 2009	<u>1,381</u>	<u>221</u>	<u>1,602</u>

	<i>Furniture and equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Total AED'000</i>
Cost:			
At 1 January 2008	1,226	222	1,448
Additions	1,698	220	1,918
At 31 December 2008	<u>2,924</u>	<u>442</u>	<u>3,366</u>
Depreciation:			
At 1 January 2008	820	127	947
Charge for the year	505	111	616
At 31 December 2008	<u>1,325</u>	<u>238</u>	<u>1,563</u>
Net carrying amount: At 31 December 2008	<u>1,599</u>	<u>204</u>	<u>1,803</u>

The depreciation charge for the year of AED 857 thousand (2008: AED 616 thousand) has been allocated as follows:

	<i>2009 AED'000</i>	<i>2008 AED'000</i>
Net underwriting income	643	462
Other expenses	214	154
	<u>857</u>	<u>616</u>

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

11 INVESTMENT PROPERTY

	<i>Land AED'000</i>	<i>Building AED'000</i>	<i>Total AED'000</i>
Cost:			
At 1 January 2009	1,670	18,392	20,062
Depreciation:			
At 1 January 2009	-	16,905	16,905
Charge for the year	-	736	736
At 31 December 2009	-	17,641	17,641
Net carrying amount:			
At 31 December 2009	1,670	751	2,421

	<i>Land AED'000</i>	<i>Building AED'000</i>	<i>Total AED'000</i>
Cost:			
At 1 January 2008	1,670	18,392	20,062
Depreciation:			
At 1 January 2008	-	16,169	16,169
Charge for the year	-	736	736
At 31 December 2008	-	16,905	16,905
Net carrying amount:			
At 31 December 2008	1,670	1,487	3,157

The fair value of the investment property as of 31 December 2009 based on a valuation done by an independent qualified valuer amounted to AED 63,000 thousand (2008: AED 66,000 thousand).

12 FINANCIAL INSTRUMENTS

	<i>Carrying value</i>		<i>Fair Value</i>	
	<i>2009 AED'000</i>	<i>2008 AED'000</i>	<i>2009 AED'000</i>	<i>2008 AED'000</i>
Financial instruments				
at fair value through profit or loss	64,607	5,051	64,607	5,051
available for sale	170,835	177,540	170,835	177,540
	235,442	182,591	235,442	182,591

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2009 AED'000</i>	<i>2008 AED'000</i>
a) <i>Shares - quoted</i>	4,188	5,051
b) <i>Designated upon initial recognition</i>		
Term deposits maturity over three months	60,419	-
	64,607	5,051

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

12 FINANCIAL INSTRUMENTS (continued)

AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

	2009 AED'000	2008 AED'000
Shares – quoted	160,635	164,660
Shares – unquoted	10,200	12,880
	<u>170,835</u>	<u>177,540</u>

Unquoted equity 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.

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

A. Determination of fair value and fair values hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total Fair value AED'000
At 31 December 2009				
Financial instruments				
At fair value through profit or loss:				
Equity securities	4,188	-	-	4,188
Time deposits maturity over 3 months	60,419	-	-	60,419
	<u>64,607</u>	<u>-</u>	<u>-</u>	<u>64,607</u>
Available for sale:				
Equity securities	160,635	-	10,200	170,835
	<u>225,242</u>	<u>-</u>	<u>10,200</u>	<u>235,442</u>

13 CARRYING VALUE OF FINANCIAL INSTRUMENTS (continued)**Financial instruments recorded at fair value**

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole part or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

31 December 2009

	<i>At 1 January 2009 AED'000</i>	<i>Total gain or loss recorded in profit and loss AED'000</i>	<i>Purchase AED'000</i>	<i>Sales AED'000</i>	<i>Total gain or loss recorded in equity AED'000</i>	<i>Transfer AED'000</i>	<i>At 31 December 2009 AED'000</i>
Financial assets							
Financial investments available for-sale:							
Unquoted investments	12,880	-	-	(2,680)	-	-	10,200
Total level 3 financial assets	12,880	-	-	(2,680)	-	-	10,200

Gains or losses on level 3 financial instruments included in the profit or loss for the year:

No gains or losses on level 3 financial instruments were included in the profit or loss for the year.

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NOTES TO THE FINANCIAL STATEMENTS

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13 CARRYING VALUE OF FINANCIAL INSTRUMENTS (continued)

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

For equity securities, the Company does not have a material exposure as at 31 December 2009 and accordingly no sensitivity analysis has been done.

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit and maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

14 INSURANCE RECEIVABLES

	<i>2009</i> <i>AED'000</i>	<i>2008</i> <i>AED'000</i>
Premiums and insurance companies' balances receivable	70,095	62,826
Due from re-insurance companies in respect of settled claims	8,227	3,480
	<u>78,322</u>	<u>66,306</u>

All of the above amounts are due within twelve month of the reporting date. The reinsurers' shares of claim not paid by the Company at the reporting date are disclosed in note 21. The amounts due from reinsurers are normally settled on a quarterly basis.

As at 31 December 2009, premiums and insurance companies' balances receivables at nominal value of AED 1,410 thousand (2008: AED 1,410 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

	<i>2009</i> <i>AED'000</i>	<i>2008</i> <i>AED'000</i>
At 1 January	1,410	777
Charge for the year	-	633
At 31 December	<u>1,410</u>	<u>1,410</u>

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As at 31 December 2009

15 PREPAYMENTS AND OTHER RECEIVABLES

	<i>2009</i> <i>AED'000</i>	<i>2008</i> <i>AED'000</i>
Accrued income	1,320	805
Prepayments	604	755
Staff debtors and advances	299	493
Other receivables	1,722	347
	<u>3,945</u>	<u>2,400</u>

16 STATUTORY DEPOSITS

	<i>2009</i> <i>AED'000</i>	<i>2008</i> <i>AED'000</i>
Bank deposits:		
Amounts that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No. 6 of 2007	<u>10,000</u>	<u>10,000</u>

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	<i>2009</i> <i>AED'000</i>	<i>2008</i> <i>AED'000</i>
Deposits with banks maturing within three months	-	75,773
Bank balances and cash	12,200	13,810
	<u>12,200</u>	<u>89,583</u>

18 SHARE CAPITAL

	<i>2009</i> <i>AED'000</i>	<i>2008</i> <i>AED'000</i>
Issued and fully paid 10,000,000 shares of AED 10 each (2008: – 10,000,000 shares of AED 10 each)	<u>100,000</u>	<u>100,000</u>

Dubai Insurance Company (PSC)
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19 RESERVES

NATURE AND PURPOSE OF RESERVES

• **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.

• **GENERAL RESERVE**

Transfers to the general reserve are made on the recommendation of the Board of Directors. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

• **AVAILABLE-FOR-SALE (AFS) RESERVE**

This reserve records fair value changes on available-for-sale financial assets.

20 PROPOSED DIVIDENDS

	<i>2009</i> <i>AED'000</i>	<i>2008</i> <i>AED'000</i>
Declared and paid:		
Cash dividend for 2008 of AED 3 per share of AED 10 each	30,000	-
Cash dividend for 2007 of AED 2.50 per share of AED 10 each	-	25,000
	<u>30,000</u>	<u>25,000</u>
Proposed for approval at Annual General Meeting:		
Cash dividend for 2009 of AED 2.50 per share of AED 10 each (2008: Cash dividend of AED 3 per share of AED 10 each)	25,000	30,000
	<u>25,000</u>	<u>30,000</u>

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

21 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>Gross</i>		<i>Reinsurers' share</i>		<i>Net</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Unearned premium reserve (Note 3)	47,144	37,823	(32,738)	(23,509)	14,406	14,314
Additional Reserve (Note 21(a))	5,600	3,300	-	-	5,600	3,300
Outstanding Claims (Note 21(b))	72,074	37,327	(59,162)	(25,436)	12,912	11,891
	124,818	78,450	(91,900)	(48,945)	32,918	29,505

21 (a) Additional Reserve

	<i>General Insurance AED'000</i>	<i>Life Assurance AED'000</i>	<i>Total AED'000</i>
At 1 January 2008	1,500	300	1,800
Increase (Note 4)	-	1,500	1,500
31 December 2008	1,500	1,800	3,300
Increase (Note 4)	500	1,800	2,300
31 December 2009	2,000	3,600	5,600

21 (b) Outstanding claims

	<i>General Insurance AED'000</i>	<i>Life Assurance AED'000</i>	<i>Total AED'000</i>
At 1 January 2008:			
Outstanding claims	14,734	1,451	16,185
Due from reinsurers	(9,319)	(467)	(9,786)
	5,415	984	6,399
Net Increase (Note 4)	5,407	85	5,492
At 31 December 2008:			
Outstanding claims	34,404	2,923	37,327
Due from reinsurers	(23,582)	(1,854)	(25,436)
	10,822	1,069	11,891
Net Increase (Note 4)	997	24	1,021
At 31 December 2009:			
Outstanding claims	66,413	5,661	72,074
Due from reinsurers	(54,594)	(4,568)	(59,162)
	11,819	1,093	12,912

Claims development

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

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

22 TRADE AND OTHER PAYABLES

	2009 AED'000	2008 AED'000
Premiums collected in advance	3,235	1,306
Provision for staff costs	1,513	2,200
Other creditors and accruals	12,274	14,371
Employees' end of service benefits (Note 23)	1,364	1,089
Dividends payable	131	-
	<u>18,517</u>	<u>18,966</u>

23 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2009 AED'000	2008 AED'000
Provision as at 1 January	1,089	1,392
Provided during the year	292	174
End of service benefits paid	(17)	(477)
	<u>1,364</u>	<u>1,089</u>
Provision as at 31 December		

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.

24 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:

	2009 AED'000	2008 AED'000
<i>Affiliates of major shareholders:</i>		
Amounts due from related parties	13,287	6,484
Amounts due to related parties	272	540
Outstanding claims	16,106	8,514

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

	2009 AED'000	2008 AED'000
<i>Affiliates of major shareholders:</i>		
Premiums	46,265	25,021
Claims	23,073	8,403
Rent received	221	238

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
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24 RELATED PARTY TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	2009 AED'000	2008 AED'000
Short term employee benefits	2,057	2,950
End of service benefits	205	360
	2,262	3,310

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2009 and 31 December 2008, the Company has not recorded any impairment of amounts owed by related parties.

25 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.

26 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.

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 2009 and 31 December 2008.

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

26 RISK MANAGEMENT (continued)

(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.

26A 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.

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 thousand.

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS
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26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

Frequency and amounts of claims (continued)

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 thousand.

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 AED 125 thousand.

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.

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 12-10-2009) following are the details of geographical concentration of assets of Company's financial statements as of 31 December 2009 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.

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

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 63% of amounts due from reinsurance companies at 31 December 2009 (2008: 81%). The maximum theoretical credit risk exposure in this connection is mainly in Europe.

26B 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.

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 statement of financial position.

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.

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

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26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	Notes	2009 AED'000	2008 AED'000
Financial assets			
At fair value through profit or loss	12	64,607	5,051
Available for sale	12	170,835	177,540
Reinsurance assets	21	91,900	48,945
Insurance receivables	14	78,322	66,306
Other receivables (excluding prepayments)		3,341	1,645
Statutory deposits	16	10,000	10,000
Cash and cash equivalents	17	12,200	89,583
TOTAL CREDIT RISK EXPOSURE		431,205	399,070

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.

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

	2009			2008		
	Assets AED'000	Liabilities and equity AED'000	Contingent liabilities and commitments AED'000	Assets AED'000	Liabilities and equity AED'000	Contingent liabilities and commitments AED'000
United Arab Emirates	459,397	158,411	21,112	373,254	97,417	31,728
Europe	7,484	4,567	-	38,181	13,903	-
Rest of the world	1,266	2,367	-	15,003	4,634	-
Total	468,147	165,345	21,112	426,438	115,954	31,728

Dubai Insurance Company (PSC)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Credit risk (continued)

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 2009

	<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 investments					
At fair value through profit or loss	64,607	-	-	-	64,607
Available for sale	160,635	10,200	-	-	170,835
Reinsurance assets	91,900	-	-	-	91,900
Insurance receivables	78,322	-	-	1,410	79,732
Other receivables (excluding prepayments)	3,341	-	-	-	3,341
Statutory deposits	10,000	-	-	-	10,000
Cash and cash equivalents	12,200	-	-	-	12,200
	<u>421,005</u>	<u>10,200</u>	<u>-</u>	<u>1,410</u>	<u>432,615</u>
Less: Impairment provision					(1,410)
					<u>431,205</u>

31 December 2008

	<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 investments					
At fair value through profit or loss	5,051	-	-	-	5,051
Available for sale	164,660	12,880	-	-	177,540
Reinsurance assets	48,945	-	-	-	48,945
Insurance receivables	66,306	-	-	1,410	67,716
Other receivables (excluding prepayments)	1,645	-	-	-	1,645
Statutory deposits	10,000	-	-	-	10,000
Cash and cash equivalents	89,583	-	-	-	89,583
	<u>386,190</u>	<u>12,880</u>	<u>-</u>	<u>1,410</u>	<u>400,480</u>
Less: Impairment provision					(1,410)
					<u>399,070</u>

Dubai Insurance Company (PSC)
NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Credit risk (continued)

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</i>	<i>91 to 180 days</i>	<i>181 to 270 days</i>	<i>271,365 days</i>	<i>> 365 days</i>	<i>Total</i>	<i>Past due and impaired</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>Total AED'000</i>
2009	31,482	20,345	8,527	6,676	12,702	79,732	(1,410)
2008	32,274	14,216	9,510	5,079	6,637	67,716	(1,410)

For assets to be classified as 'past due and impaired' the 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.

Geographical risk

The Company's investments and cash and cash equivalents are from local companies and financial institutions.

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.

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NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

26 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 2009				31 December 2008			
	Less than one year AED'000	More than one year AED'000	No Term AED'000	Total AED'000	Less than one year AED'000	More than one year AED'000	No Term AED'000	Total AED'000
ASSETS								
Office equipment and vehicles	-	1,602	-	1,602	-	1,803	-	1,803
Investment property	-	2,421	-	2,421	-	3,157	-	3,157
Advance for purchase of investment property	-	32,315	-	32,315	-	21,653	-	21,653
Financial assets								
Financial asset at fair value through profit or loss	-	-	64,607	64,607	-	-	5,051	5,051
Available for sale financial assets	-	-	170,835	170,835	-	-	177,540	177,540
Reinsurance assets	91,900	-	-	91,900	48,945	-	-	48,945
Insurance receivables	78,322	-	-	78,322	66,306	-	-	66,306
Prepayments and other assets	3,945	-	-	3,945	2,400	-	-	2,400
Statutory deposits	10,000	-	-	10,000	10,000	-	-	10,000
Cash and cash equivalents	12,200	-	-	12,200	89,583	-	-	89,583
TOTAL ASSETS	196,367	36,338	235,442	468,147	217,234	26,613	182,591	426,438
EQUITY AND LIABILITIES								
Equity								
Share capital	-	-	100,000	100,000	-	-	100,000	100,000
Statutory reserve	-	-	46,941	46,941	-	-	44,217	44,217
General reserve	-	-	3,500	3,500	-	-	3,500	3,500
Retained earnings	-	-	107,868	107,868	-	-	84,249	84,249
Proposed dividends	-	-	-	-	-	-	30,000	30,000
Available-for-sale (AFS) reserve	-	-	44,493	44,493	-	-	48,518	48,518
Total equity	-	-	302,802	302,802	-	-	310,484	310,484
Liabilities								
Insurance contract liabilities	124,818	-	-	124,818	78,450	-	-	78,450
Amounts held under reinsurance treaties	8,969	-	-	8,969	10,065	-	-	10,065
Reinsurance balances payable	13,041	-	-	13,041	8,473	-	-	8,473
Trade and other payables	18,517	-	-	18,517	18,966	-	-	18,966
Total liabilities	165,345	-	-	165,345	115,954	-	-	115,954
TOTAL EQUITY AND LIABILITIES	165,345	-	302,802	468,147	115,954	-	310,484	426,438

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

26 RISK MANAGEMENT (continued)**26B 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.

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 investment in financial instruments held at fair value though profit or loss, designated upon initial recognition and statutory deposits. 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 2009

	<i>Total AED'000</i>	<i>Effective interest rate</i>
Time deposits	60,419	4.5% to 6%
	60,419	

31 December 2008

	<i>Total AED'000</i>	<i>Effective interest rate</i>
Time deposits	85,773	4% to 6.75%
	85,773	

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

26 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 2009.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit for the year AED'000</i>
2009	+25	176
	-50	(352)
2008	+25	214
	-50	(429)

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 2009) and on statement of income due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2009			2008		
	<i>Change in equity price %</i>	<i>Effect on equity AED'000</i>	<i>Effect on income statement AED'000</i>	<i>Change in equity price %</i>	<i>Effect on equity AED'000</i>	<i>Effect on income statement AED'000</i>
All investments – (Mainly Dubai Financial Market and Abu Dhabi Stock Market)	10	16,064	419	10	16,466	505

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2009

27 CAPITAL COMMITMENTS

	<i>2009</i> <i>AED'000</i>	<i>2008</i> <i>AED'000</i>
Commitment in respect of purchase of investment properties (plots of land in the UAE)	10,992	21,653

28 CONTINGENCIES

Contingent liabilities

At 31 December 2009 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 10,120 thousand (2008: AED 10,075 thousand).

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.