



Grant Thornton

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C)
DUBAI - UNITED ARAB EMIRATES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2008

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)
Dubai - United Arab Emirates

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for the year ended December 31, 2008

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Directors' Report

I am pleased to welcome you to this Ordinary General Assembly of Dubai National Insurance & Reinsurance PSC, on behalf of the Board of Directors, and to present its seventeenth annual report and accounts for the financial year 2008.

The challenges for the insurance industry in this region are the intense competition and excess treaty capacity, which have led to rate cutting among the insurers. The hardening of the reinsurance market has also further complicated the situation in the local insurance market. Under these difficult circumstances, companies that have remained true to their core competencies have managed to meet the challenges of the changing market dynamics.

In this dynamically changing situation, your company presents its clients with vast array of insurance services and unmatched flexibility of providing tailor made insurance protection. The prudent underwriting standards initiated by your company, of consistent growth and selective underwriting without excessive exposure have also yielded rich dividend over the past years.

2008 has been a landmark year for your company, in which the gross written premiums touched a new high of AED 135.58 Million compared to AED 93.79 Million in year 2007. The 44% growth of gross premium in the year 2008 reflects the consistent growth pattern maintained over the past years. The underwriting results rose from AED 17.33 Million in year 2007 to AED 29.20 in year 2008, a commendable increase of 68% over the past year.

Adequacy of reserves is critical to ensuring stability of earnings. Your company's reserves (net) increased to AED 70.21 Million in year 2008 from AED 59.48 Million in year 2007.

The net profit for the year 2008 before appropriation amounted to AED 43.53 Million. The Board is pleased to recommend to the shareholders a 35% cash dividend amounting to AED 35 Million.



Your company remains focused strategically and operationally on the continuance of our commercial milestones by providing proactive insurance solutions and improving on the benchmarks of service and operational standards.

The Board takes this opportunity to thank all our shareholders, clients, business partners, reinsurers and employees for their co-operation and support and look forward to their continued support in future

The following recommendations are placed for your approval & ratification:

- 1) To approve the Board of Directors' and Auditors' Report for 2008.
- 2) To ratify the company's financial statements for the year ended 31st December 2008
- 3) To approve the Board of Directors' proposal relating to appropriation of profit and retained earnings.
- 4) To release the Chairman, the Members of the Board and the auditors from any liabilities related to the performance of their duties during the year under review.
- 5) To elect the Board of Directors.
- 6) To appoint statutory auditors for the year 2009.

KHALAF AHMED AL HABTOOR
Chairman of the Board of Directors

**Independent Auditor's Report
To the Shareholders of
DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)
Dubai, United Arab Emirates**

Public Accountants
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Report on the Financial Statements

We have audited the accompanying financial statements of DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.) (the "Company"), which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's Responsibility

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

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

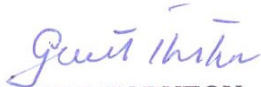
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements fairly present in all material respects the financial position of the Company as on December 31, 2008, and of 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 we have obtained all the information and explanations necessary for our audit, proper books of account have been kept by the Company and the contents of the Directors' report which relate to the financial statements are in agreement with the Company's books of account. To the best of our knowledge and belief, no violations of UAE Federal Law No 8 of 1984 (as amended) and of the UAE Federal Law No. 9 of 1984 (as amended) concerning Insurance Companies and Agents or of the Memorandum and Articles of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.



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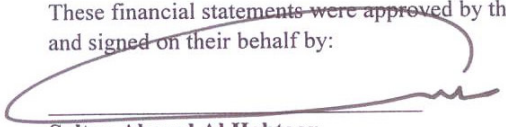
Farouk Mohamed
Insurance Registration No. 54
Dubai, United Arab Emirates
February 25, 2009

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)
Dubai - United Arab Emirates

Balance Sheet at December 31, 2008

	Notes	2008 AED'000	2007 AED'000
Assets			
Non-current			
Statutory deposits	3	17,975	15,475
Property and equipment	4	2,033	2,261
Investment property	5	94,382	95,577
		<u>114,390</u>	<u>113,313</u>
Current			
Financial assets	6	87,195	360,296
Insurance receivables	7	33,966	13,919
Other receivables	8	2,062	1,084
Due from related parties	9	21,374	14,596
Reinsurer's share of outstanding claims	10	46,446	41,819
Cash in hand and at banks including deposits		37,947	52,746
		<u>228,990</u>	<u>484,460</u>
Total assets		<u><u>343,380</u></u>	<u><u>597,773</u></u>
Equity			
Share capital	11	100,000	100,000
Legal reserve	12	50,000	50,000
Obligatory reserve	13	25,000	25,000
General reserve	14	220,000	220,000
Retained earnings		43,539	36,936
Cumulative changes in reserve on available for sale investments	6	(284,338)	3,583
		<u>154,201</u>	<u>435,519</u>
Total equity			
Liabilities			
Non-current			
End of service benefits	15	1,254	941
Current			
Outstanding claims	10	72,280	68,427
Technical provisions	16	44,382	32,873
Insurance payables	17	53,390	37,616
Other payables	18	17,777	22,169
Due to related parties	9	96	228
		<u>187,925</u>	<u>161,313</u>
Total liabilities		<u>189,179</u>	<u>162,254</u>
Total equity and liabilities		<u><u>343,380</u></u>	<u><u>597,773</u></u>

These financial statements were approved by the Board of Directors on 25 February 2009
and signed on their behalf by:


Sultan Ahmed Al Habtoor
Managing Director


Khalaf Ahmed Al Habtoor
Chairman

The notes on pages 9 to 36 form an integral part of these financial statements.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)
Dubai - United Arab Emirates

Income Statement
for the year ended December 31, 2008

	Notes	2008 AED'000	2007 AED'000
Gross premium		135,582	93,798
Re-insurance share		(80,887)	(59,865)
Net premium		<u>54,695</u>	<u>33,933</u>
Net transfer to unearned premium reserve		(6,547)	(2,497)
Net premium earned		<u>48,148</u>	<u>31,436</u>
Commission earned		9,555	6,001
Commission paid		(11,783)	(5,376)
Others		456	278
Gross underwriting income		<u>46,376</u>	<u>32,339</u>
Gross claims paid		33,259	31,426
Reinsurance share		(15,272)	(16,496)
Net claims paid		<u>17,987</u>	<u>14,930</u>
Provision for outstanding claims		3,812	(6,208)
Reinsurance share of outstanding claims		(4,626)	6,282
Net claims Incurred		<u>17,173</u>	<u>15,004</u>
Net underwriting income		29,203	17,335
Income from investments	19	5,194	11,008
Income from investment properties	20	18,786	14,685
Other income	21	932	18
Gross income		<u>54,115</u>	<u>43,046</u>
General and administrative expenses	22	(10,586)	(6,996)
Net profit for the year		<u>43,529</u>	<u>36,050</u>
Earnings per share:			
Basic	23	<u>0.44</u>	<u>0.36</u>

The notes on pages 9 to 36 form an integral part of these financial statements.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

Dubai - United Arab Emirates

Statement of cash flows for the year ended December 31, 2008

	Notes	2008 AED'000	2007 AED'000
Operating activities			
Net profit for the year		43,529	36,050
<i>Adjustments for:</i>			
Depreciation on property and equipment	4	530	410
Depreciation on investment property	5	1,195	1,829
Currency translation		-	(25)
Loss/(profit) on disposal of property and equipment	21	105	(16)
Net transfer to employees' end-of-service benefits		313	19
Net transfer to technical provisions		11,509	2,497
Provision for doubtful debts reversed		(1,037)	-
Provision for out standing claims		3,853	(6,208)
Reinsurer share of outstanding claims		(4,627)	6,282
Dividend and interest on long-term deposits		(10,294)	(11,008)
Fair value adjustment on financial assets		10,100	-
Directors remuneration		(1,926)	(1,553)
Income from investment property - net	20	(19,981)	(16,514)
Operating profit before changes in working capital		33,269	11,763
Changes in working capital			
Insurance receivables		(19,010)	(1,154)
Other receivables		(978)	2,939
Insurance payables		15,774	9,528
Other payables		(4,392)	2,837
Due from/(to) related parties-net		(6,910)	(5,232)
Net cash provided by operating activities		17,753	20,681
Investing activities			
Purchase of investments		(24,920)	(24,862)
Proceeds from sale of investments		-	50,396
Purchase of property and equipment	4	(2,045)	(200)
Proceeds from disposals of property and equipment		1,638	19
Increase in statutory deposit		(2,500)	-
Dividend and interest on long-term deposits income		10,294	11,008
Income from investment property - net	20	19,981	16,514
Net cash provided by investing activities		2,448	52,875
Financing activities			
Dividends paid		(35,000)	(30,000)
Net cash used in financing activities		(35,000)	(30,000)
Net (decrease)/increase in cash and cash equivalents		(14,799)	43,556
Cash and cash equivalents at 1 January		52,746	9,190
Cash and cash equivalents at 31 December	24	37,947	52,746

The notes on pages 9 to 36 form an integral part of these financial statements.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)
Dubai – United Arab Emirates

Notes to the financial statements
for the year ended December 31, 2008

1 Legal status and activities

Dubai National Insurance & Reinsurance (P.S.C.) (the “Company”) is a public shareholding company incorporated in Dubai on 6 January 1992 with a overseas branch in Beirut, Lebanon.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the UAE Federal Law No. 9 of 1984 relating to insurance companies and insurance agents.

With effect from July 8, 2008, the registered address of the Company has been changed from 2nd Floor, Al Habtoor Motors Building, P.O Box 1806, Dubai, U.A.E to Office no. 104-107, Aghaadir Building, Al Mankool Road, Bur Dubai, P.O Box 1806, Dubai, U.A.E.

The total number of staff employed by the Company as at 31 December 2008 was 73 (2007: 45).

The overseas branch in Beirut is in the process of being wound down. Accordingly, the related license as required by local regulations has been terminated. All related guarantees are blocked with the Ministry of Economic & Commerce, Insurance Affairs Department in Lebanon until it meets all its obligations, as published in the official gazette dated April 2004.

2 Significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretations Committee and applicable requirements of UAE Federal Law No. 8 of 1984 (as amended) relating to commercial companies, and of UAE Federal Law No.(9) of 1984 (as amended) concerning insurance companies and agents.

The financial statements are presented in UAE Dirhams (“AED”), rounded off to the nearest thousand.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

2 Significant accounting policies (continued.)

b) Adoption of new and revised standards

Disclosures that became necessary due to adoption of IFRS 7 and changes in IAS-1 can be found in note 31.

Three Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) are effective for the current period. These are: *IFRIC -11 Group and Treasury Share Transactions*, *IFRIC-12 Service Concession Arrangements*; *IFRIC-14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction*. The adoption of these Interpretations has not led to any changes in the Company's accounting policies.

The following new standards and Interpretations which are yet to become mandatory, have not been applied by the company are as follows:

IAS -1 (Revised)	Presentation of Financial Instruments (effective for accounting periods on or after January 1, 2009)
IAS – 23 (Revised)	Borrowing Cost (effective for accounting period beginning on or after January 01, 2009).
IFRS -8	Operating Segments (effective for accounting periods beginning on or after January 1, 2009).
IFRIC-13	Consumer Loyalty Programmes (effective for accounting periods beginning on or after July 1, 2008).
IFRIC-15	Agreements for the Construction of Real Estate was issued 3 July 2008 (effective for annual periods beginning on or after 1 January 2009).
IFRIC-16	Hedges of a Net Investment in a Foreign Operation effective for annual periods commencing on or after October 01, 2008.
IFRS -2 (amended)	The IASB issued an amendment to IFRS 2 in January 2008 which becomes effective for annual periods beginning on or after 1 January 2009.
IAS 27 (Revised)	Consolidated and separate financial statements' (effective from 1 January 2009)
IFRS 3 (Revised)	Business combinations (effective from 1 July 2009).

Based on the Company business model and accounting policies, management do not expect a material impact on the financial statements when these interpretations become effective and management do not intend to apply any of the pronouncements early.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

2 Significant accounting policies (continued.)

The significant accounting policies followed by the Company are as follows and are consistent with those used in the previous year except as disclosed above.

c) Accounting convention

The financial statements are prepared under the historical cost convention except for quoted investments available-for-sale and investments designated at fair value through profit and loss (note 2 (m)) , which are stated at their fair value and insurance liabilities and assets which are stated at their estimated value (note 2(g) and 2(h)).

d) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

The rates of depreciation used are based on the following estimated useful lives of the assets.

	Years
Furniture and fixtures	4-11
Motor vehicles	3
Buildings	40

e) Investment property

Investment property is measured at cost and are carried net of accumulated depreciation. Depreciation is determined on a straight-line basis over the estimated useful life of the property which is considered to be 40 years.

No depreciation is charged on freehold land.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Fair value of investment properties are determined by open market values based on valuations performed by independent surveyor.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

2 Significant accounting policies (continued.)

f) Revenue recognition

Gross premium

Gross premium and policy fees are recognised as income when insurance policies are issued to the insured, consequent to the acceptance of the risk.

Commission on reinsurance

Commission is recognised at the time the policies are written excluding profit commission which is recognised at the time of settlement.

Interest income

Interest income is recognised on accrual basis taking into account effective interest rates on the instrument, on a time proportionate basis.

Investment income

Investment income is recognized at the time the securities are liquidated and the proceeds are realised or realisable.

Fair value gains and losses are recognized in accordance with specific policies for different classes of financial instruments.

Rental income

Rental income from investment property is recognised on a straight line basis over the term of the lease.

Dividend income

Dividend income is recognised when the right to receive payment is established.

g) Claims

Claims incurred comprise actual claims and other related costs paid and incurred in the year and movement in outstanding claims. Claim handling costs are recognised at the time of registering the claims.

On account of uncertainties involved in non-motor claim recoveries, salvage and subrogation rights are recognised only at the time of actual recovery. For motor claim recoveries, salvage is accounted at the time of registering the claims.

Provision for outstanding claims represents the estimated settlement values of all claims notified, but not settled at the balance sheet date on the basis of individual case estimates.

The reinsurers' portion towards the above outstanding claims is classified as reinsurance's share of outstanding claims and it is showed as current assets in the financial statements.

2 Significant accounting policies (continued.)

h) Provision for IBNR

In addition to outstanding claims a provision for Incurred But Not Reported claims (IBNR) is made at the balance sheet date based on management estimates. The method used by the company to calculate the provisions takes into account past estimates and details of reinsurance programmes to assess the expected size of reinsurance recoveries.

i) Liability adequacy test

All recognised insurance liabilities including provision for outstanding claims are subject to liability adequacy test at each reporting date. This involves comparison of current estimates of all contractual cash flows attached to these liabilities with their carrying amounts. Estimates of contractual cash flows include expected claim handling costs as also recoveries from third parties. Any deficiency in carrying amounts is charged to the income statement by establishing a provision for losses arising from liability adequacy test.

j) Unearned Premium Reserve

The Unearned Premium Reserve (UPR) represents that portion of premiums earned net of reinsurance, which relate to the period of insurance subsequent to the balance sheet date and computed on percentages equal to minimum percentage stipulated in the UAE Insurance Companies Law.

For periods up to one year, the provision is calculated at a minimum of 40% of the annual premiums earned for all categories, except for marine, which is calculated at a minimum of 25%.

k) Reinsurance premium

Ceded reinsurance premiums are accounted for in the same accounting periods as the premiums for the related direct insurance, and are calculated in accordance with reinsurance arrangements in place.

l) Reinsurance assets

Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

2 Significant accounting policies (continued.)

m) Financial assets

The company classifies its investments into financial assets at fair value through profit and loss and available-for-sale investments. The classification depends on the nature of these investments.

Recognition

The company recognises financial assets on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are equity and debt instruments either held for trading or those that are designated at fair value through profit and loss upon initial recognition. Assets in this category are measured at fair value and movements in the fair value are recognised in the income statement.

Gain or losses on derivative or inseparable host contract with an embedded derivative are based on changes in fair value determined by reference to active market transactions or using valuation technique where no active market exists.

Available-for-sale investment

Investments in securities are classified as available for sale. They are initially recognised at fair value, which is equivalent to consideration given and acquisition charges associated with the investment.

After initial recognition, quoted securities are measured at fair value, with unrealised gains or losses reported through the fair value reserve, and shown as part of shareholders' equity until the investment is derecognised. On de-recognition, the cumulative gain or loss previously reported in equity is included in the income statement for that period.

Fair values cannot reliably be measured for unquoted securities. Such investments are measured at cost less provision for impairment, if any. At the time of de-recognition, the provision, if any, relating to the securities is recognised as income.

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the balance sheet date.

2 Significant accounting policies (continued.)

m) Financial assets (continued.)

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of “fair value through profit and loss financial assets” are recognised in the income statement, whether realized or not. Gain and loss arises from change in fair value of available for sale investment are recognized directly in equity.

Derecognition

A financial asset is derecognised when the company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or surrendered. A financial liability is derecognised when it is extinguished. The company uses the specific identification method to determine the gains or losses on derecognition.

Impairment and uncollectibility of financial assets

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

- a) For assets other than available for sale investments carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the income statement;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

n) Receivables and payables related to insurance contracts

Receivables and payables are recognized when due. These include amounts due to and from Insurance brokers, re-insurers and insurance contract holders.

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and realizes the impairment loss in the income statement.

2 Significant accounting policies (continued.)

o) End of service benefits

In compliance with UAE Labour Law, the company has gratuity benefits covering all of its non-national employees who have been with the company for more than one year. The provision for staff terminal benefits is based on the liability that would arise if the employment of all the employees was terminated at the balance sheet date.

The UAE Government has introduced Federal Labour Law No. 7 of 1999 for pension and social security. Under this law employers are required to contribute 12.5% of the 'contribution calculation salary' (basic salary plus allowances) of those employees who are UAE nationals. These employees are also required to contribute 5% of the 'contribution calculation salary' to the scheme. The Company's contribution is recognised as an expense in the income statement as incurred. The employees and employers' contribution, to the extent remaining unpaid at the balance sheet date, are shown under provisions.

p) Foreign currency transactions

Transactions in foreign currencies are translated to UAE Dirhams at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to UAE Dirhams at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

q) Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the income statement.

r) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

2 Significant accounting policies (continued.)

s) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits balances with original maturities of less than 3 months and free from lien. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of cash flows.

t) Critical accounting estimates and judgements in applying accounting policy

The company makes estimates and assumption that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

u) 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.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

3 Statutory deposit

	2008 AED'000	2007 AED'000
i) Deposit in a local bank in Dubai, UAE held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 41 of Federal Law No. (9) of 1984 (as amended) relating to insurance companies and brokers. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.	10,000	7,500
(ii) Restricted fixed deposit in favour of the Ministry of Economy & Commerce, Government of Lebanon, as per law no. 31/91 of Insurance companies held under lien by bank against guarantees issued deposit in LL 3,273 million (2007: LL 3,273 million)	7,975	7,975
	<u>17,975</u>	<u>15,475</u>

4 Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Land and buildings AED'000	Total AED'000
Cost				
At 1 January 2008	3,025	426	2,199	5,650
Additions	1,834	211	-	2,045
Disposals	(2,109)	(90)	(2,098)	(4,297)
At 31 December 2008	<u>2,750</u>	<u>547</u>	<u>101</u>	<u>3,398</u>
Depreciation				
At 1 January 2008	2,695	232	462	3,389
Charge for the year	362	158	10	530
Disposals	(1,993)	(89)	(472)	(2,554)
At 31 December 2008	<u>1,064</u>	<u>301</u>	<u>-</u>	<u>1,365</u>
Net book value				
At 31 December 2008	<u>1,686</u>	<u>246</u>	<u>101</u>	<u>2,033</u>
At 31 December 2007	<u>329</u>	<u>194</u>	<u>1,737</u>	<u>2,261</u>

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

4 Property and equipment (continued.)

	Furniture and fixtures AED'000	Motor vehicles AED'000	Land and buildings AED'000	Total AED'000
Cost				
At 1 January 2007	2,975	352	38,407	41,734
Additions	86	114	-	200
Disposals	(36)	(40)		(76)
Transfer to investment property (note 5)	-	-	(36,208)	(36,208)
At 31 December 2007	<u>3,025</u>	<u>426</u>	<u>2,199</u>	<u>5,650</u>
Depreciation				
At 1 January 2007	2,450	183	5,531	8,164
Charge for the year	278	89	42	409
Disposals	(33)	(40)	-	(73)
Transfer to investment property (note 5)	-	-	(5,111)	(5,111)
At 31 December 2007	<u>2,695</u>	<u>232</u>	<u>462</u>	<u>3,389</u>
Net book value				
At 31 December 2007	<u>329</u>	<u>194</u>	<u>1,737</u>	<u>2,261</u>
At 31 December 2006	<u>525</u>	<u>169</u>	<u>32,876</u>	<u>33,570</u>

5 Investment property

	AED'000
Cost	
At 1 January 2008 and 31 December 2008	105,720
Depreciation	
At 1 January 2008	10,143
Charge for the year (note 20)	1,195
At 31 December 2008	<u>11,338</u>
Net book value	
At 31 December 2008	<u>94,382</u>
Net book value	
At 31 December 2007	<u>95,577</u>

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

5 Investment property (continued.)

	AED'000
Cost	
At 1 January 2007	69,512
Transfer from property and equipment (note 5)	36,208
At 31 December 2007	<u>105,720</u>
Depreciation	
At 1 January 2007	3,203
Transfer from property and equipment (note 5)	5,111
Charge for the year (note 20)	1,829
At 31 December 2007	<u>10,143</u>
Net book value	
At 31 December 2007	<u><u>95,577</u></u>
Net book value	
At 31 December 2006	<u><u>66,309</u></u>

On December 31, 2008, Asteco, independent professional valuers estimated the open market value of the investment properties at AED 237 million (2007: AED 230 million) as per their valuation report.

6 Financial assets

	2008 AED'000	2007 AED'000
Available for sale		
Quoted securities and funds, at cost	358,991	346,171
Cumulative changes in fair value transferred to equity	(284,338)	3,583
	<u>74,653</u>	<u>349,754</u>
Unquoted securities	18,437	18,437
Less: provision for diminution in value	(7,895)	(7,895)
	<u>10,542</u>	<u>10,542</u>
Financial assets at fair value through profit and loss		
Equity Profit Participation Note *	12,100	-
Less: Fair value adjustment	(10,100)	-
	<u><u>87,195</u></u>	<u><u>360,296</u></u>

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

6 Financial assets (continued.)

Movement in quoted securities and funds:

	2008 AED'000	2007 AED'000
Opening balance	346,171	371,705
Purchased during the year	12,820	24,862
Disposed during the year	-	(50,396)
Closing balance	<u>358,991</u>	<u>346,171</u>

* The balance represents an equity participation note of EMAAR Properties purchased by the company.

7 Insurance receivables

Due from policy holders	23,688	11,856
Due from insurance companies	2,416	2,378
Due from reinsurance companies	1,074	794
Due from insurance brokers	9,146	2,286
	<u>36,324</u>	<u>17,314</u>
Provision for doubtful debts	(2,358)	(3,395)
	<u>33,966</u>	<u>13,919</u>

The average credit period is 90 days. Insurance receivables outstanding over one year are fully provided and outstanding balances less than one year are provided based on management's estimates.

8 Other receivables

Prepayments	419	684
Accrued interest	1,435	300
Other receivables	208	100
	<u>2,062</u>	<u>1,084</u>

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

9 Related party balances

Details of related parties balances are as follows:

Amounts due from related parties

	2008 AED'000	2007 AED'000
Diamond Lease	8,731	6,032
Al Habtoor Engineering Enterprises	8,139	4,624
Al Habtoor Motors	3,334	3,609
Other Habtoor Group companies	1,170	331
	<u>21,374</u>	<u>14,596</u>

Amounts due to a related parties

Al Habtoor Group of companies	96	228
	<u>96</u>	<u>228</u>

Related party transactions

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties. Management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

The following are the details of significant transactions with related parties:

	2008 AED'000	2007 AED'000
Premiums written	54,128	47,956
Claims paid	14,393	12,184
Commission paid	576	495
Rent paid	246	
Agency repairs	148	1,749
Purchases of vehicles	174	-
Key management remuneration	1,169	833

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

10 Outstanding claims

	2008 AED'000	2007 AED'000
Opening balance	68,427	74,502
Provision for the year	37,111	25,351
Claims paid during the year	(33,258)	(31,426)
Balance at 31 December	<u>72,280</u>	<u>68,427</u>

Assumptions and sensitivities

The process used to determine assumptions for assessing claims provisions is reviewed and updated to be consistent with observable market practices and other reliable information to result in most likely expected outcome.

However, considering nature of business it cannot be predicted with certainty the likely outcome and the actual cost of the claim. But each claim is assessed on a case to case basis depending upon information available and past trends.

An analysis of sensitivity is carried out for various claims which is an indication for establishing the adequacy of the estimation process. The Company believes that the liability for claims reported in the balance sheet is adequate.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

10 Outstanding claims (continued.)

Claims development

For all classes of business underwritten by the Company the uncertainty is typically resolved generally within one year except for Motor Insurance where the uncertainty is generally resolved within three years. Claims development over the last five years is analysed below:

Underwriting year	2004 and prior AED'000	2005 AED'000	2006 AED'000	2007 AED'000	2008 AED'000	Total AED'000
Estimate of cumulative claims						
At the end of underwriting year	480,090	80,474	33,733	22,362	36,927	-
One year later	288,766	74,501	39,307	30,182	-	-
Two years later	287,874	75,755	38,085	-	-	-
Three years later	282,551	79,290	-	-	-	-
Four years later	277,149	-	-	-	-	-
	=====	=====	=====	=====	=====	=====
Estimate of cumulative claims	277,149	79,290	38,085	30,182	36,927	461,633
Cumulative payments to date	244,072	69,061	33,226	23,474	19,521	389,354
	=====	=====	=====	=====	=====	=====
Provision for outstanding claims 31 December 2008	33,077	10,229	4,859	6,708	17,406	72,280
Reinsurer's share of outstanding claims 31 December 2008	22,171	4,454	2,985	3,138	13,698	46,446
	=====	=====	=====	=====	=====	=====
Net outstanding claims as on 31 December 2008	10,906	5,775	1,874	3,570	27,590	49,715
	=====	=====	=====	=====	=====	=====
Provision for outstanding claims 31 December 2007	43,424	7,244	7,092	10,667	-	68,427
Reinsurer's share of outstanding claims 31 December 2007	18,888	3,934	9,614	4,472	4,911	41,819
	=====	=====	=====	=====	=====	=====

11 Share capital

The authorised and issued share capital comprises 100,000,000 fully paid-up shares of AED 1 each:

	2008 No of shares	2008 AED'000	2007 No of shares	2007 AED'000
Balance at 31 December	100,000,000	100,000	100,000,000	100,000
	=====	=====	=====	=====

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

12 Legal reserve

In accordance with the Company's Articles of Association and Articles 192 of the UAE Commercial Companies Law of 1984 (as amended), a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance on the legal reserve equals 50% of the Company's paid-up share capital. No transfer to legal reserve has been made during the year as it has reached the minimum of 50% of Company's paid-up share capital.

13 Obligatory reserve

In accordance with the Company's Articles of Association, at least 10% of the Company's annual net profits (before directors' fees) must be transferred to a non-distributable obligatory reserve. Such transfers are required until the balance on this reserve equals 25% of the Company's paid-up share capital, or until the transfer is suspended by resolution of the shareholders. No transfer to obligatory reserve has been made during the year as it has reached the minimum of 25% of Company's paid-up share capital.

14 General reserve

This reserve is established by appropriations from net profits, as proposed by the Board of Directors and is subject to approval by the General Assembly.

15 End of service benefits

	2008	2007
	AED'000	AED'000
Balance at 1 January	941	921
Charge for the year	522	157
Transfer from group companies	-	2
Payments during the year	(209)	(139)
Balance at 31 December	<u>1,254</u>	<u>941</u>

16 Technical provisions

Unearned premium reserve	20,500	13,953
Provision for IBNR and other reserves	23,882	18,920
	<u>44,382</u>	<u>32,873</u>

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

16 Technical provisions (continued.)

Movement during the year:

	2008 AED'000	2007 AED'000
Unearned premium reserve		
Opening balance	13,953	11,456
Added during the year	20,500	13,953
Released during the year	(13,953)	(11,456)
	<u>20,500</u>	<u>13,953</u>
Closing balance	<u><u>20,500</u></u>	<u><u>13,953</u></u>
Provision for IBNR and other reserves		
Opening balance	18,920	19,053
Added during the year	4,962	-
Released during the year	-	(133)
	<u>23,882</u>	<u>18,920</u>
Closing balance	<u><u>23,882</u></u>	<u><u>18,920</u></u>

17 Insurance payables

Trade creditors	1,324	1,874
Insurance companies	2,030	1,073
Re-insurance companies	43,117	28,052
Brokers payable	2,224	2,585
Premium reserve withheld	4,695	4,032
	<u>53,390</u>	<u>37,616</u>
	<u><u>53,390</u></u>	<u><u>37,616</u></u>

18 Other payables

Accrued expenses	486	812
Provision for staff benefits	1,156	1,136
Directors' remuneration *	1,926	1,553
Other payables	14,209	18,668
	<u>17,777</u>	<u>22,169</u>
	<u><u>17,777</u></u>	<u><u>22,169</u></u>

* Directors' remuneration is an appropriation of net profit for the year in accordance with Article 118 of UAE Commercial Companies Law of 1984 (as amended), by The Ministry of Economy and Planning and also as per the Articles of Association of the Company.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

19 Income from investment

	2008	2007
	AED'000	AED'000
Dividend income	7,052	6,618
Interest income – net	3,242	4,390
Fair value adjustment on investment	(10,100)	-
Reversal of excess prior year provision	5,000	-
	<u>5,194</u>	<u>11,008</u>

20 Income from investment property

Gross rental income	24,563	19,605
Maintenance expenses	(4,582)	(3,091)
Depreciation (note 5)	(1,195)	(1,829)
	<u>18,786</u>	<u>14,685</u>

21 Other income

(Loss) / profit on disposal of property and equipment	(105)	16
Doubtful debts recovered	1,037	-
Other	-	2
	<u>932</u>	<u>18</u>

22 General and administrative expenses

Personnel costs	6,705	4,411
Other operational expenses	3,881	2,585
	<u>10,586</u>	<u>6,996</u>

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

23 Earning per share

	2008 AED'000	2007 AED'000
Basic		
Net profit for the year AED '000'	43,529	36,050
Weighted average number of shares outstanding (note 11)	100,000,000	100,000,000
Earning per share (AED)	0.44	0.36

24 Cash and cash equivalents

Cash in hand and at banks*	37,947	52,746
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* Cash at banks includes approximately AED 4 million (2007: AED 3.19 million) in converted Lebanese Lira (LL).

25 Segment reporting

a) Primary Segment Information

	2008 AED'000			2007 AED'000		
	General business	Life & Health	Total	General business	Life & Health	Total
Gross premiums written	70,229	65,353	135,582	57,241	36,557	93,798
Net Underwriting income	19,280	9,923	29,203	13,767	3,568	17,335

b) Secondary segment information

The Company's business is mainly conducted within the UAE.

26 Proposed dividend and bonus issue

The Board has proposed cash dividend of 35% of paid up capital AED 35 million (AED 0.35 per share) for the year.

During the previous year, the Board proposed a cash dividend of AED 35 million (AED 0.35 per share) representing 35% of the paid up capital as at 31 December 2007. This was approved at the Annual General Meeting held on March 16, 2008.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

27 Commitments and contingencies

	2008	2007
	AED'000	AED'000
a) Financial Guarantee	<u>7,975</u>	<u>7,975</u>

Guarantees of AED 7.9 million (2007: AED 7.9 million) issued by banks are secured by way of deposits held.

28 Operating lease obligations

The Company has leased out its investment properties under various operating leases.

Operating lease rentals receivable are:

	2008	2007
	AED'000	AED'000
Due within one year	11,554	11,042
Due within two to five years	<u>1,168</u>	<u>782</u>

Leases as a lessee

At the balance sheet date, there were no major outstanding commitments under non-cancellable operating leases.

29 Capital commitments

At the balance sheet date, there were no major capital commitments (2007: nil).

30 Insurance risk management

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, life, accident health, financial or other perils that may arise from an insurable event. The Company also has exposure to market risk through its insurance and investment activities. The Company manages the risk through well laid out procedures and delegation levels for both underwriting and settlement of claims.

30 Insurance risk management (continued.)

The Company has structured policies for acceptance and pricing risks. All experienced and qualified professionals undertake the assessment of risks and pricing, with a conservative and cautious approach. Survey, risk measurement, sensitivity analysis, reinsurance term etc., are followed meticulously before acceptance of risk. Apart from these study of portfolio, probability, market trend, past history are all considered for pricing.

Underwriting strategy

This involves the Company's own risk assessment procedures and is based on balance portfolio. It is set out in terms of industry, type of exposures, limits for each class, and quality of risks with acceptance levels. This is percolated down to the lower levels of the underwriting sections with the authorities specified along with their limits. Risk selection is set out as per risk management.

Managing reinsurance risk

The Company carries reinsurance cover to minimise exposure to potential losses arising from large insurance claims and consequently in the normal course of business enters into arrangements with other parties for reinsurance purposes. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance arrangements.

These reinsurance are through proportional treaty and facultative reinsurance contracts. The reinsurers are selected based on their standing in the market, rating, relationship experience and length of association.

Reinsurance recoverable are monitored on a regular basis and through exchange of statements which are duly reconciled.

Terms and conditions of insurance contracts

Insurance contracts are based on uncertainty. As such the terms and conditions of Insurance contracts varies but are generally based on norms as applied in the Insurance Market.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

30 Insurance risk management (continued.)

Sensitivity of Underwriting Profits and Losses

The contribution from Insurance operations to the profit of the Company amounts to AED 29.203 million for the year ended December 31, 2008 (2007: AED 17.335 million). The Company does not foresee any major impact from insurance operations on account of the following:

- The overall risk retention level of the Company in the year ended December 31, 2008 is 40% (2007: 36%). The liabilities of the Company are adequately covered by excess of loss reinsurance programs to safeguard against major financial impact.
- The Company's commissions earned from reinsurance placements are consistent and remain a comfortable source of income.
- Because of the low risk retention in 76% volume of business and limited exposure in high retention areas like motor, the Company does not foresee any serious financial impact in the insurance net profits due to changes in the loss ratios.

31 Financial instruments

The financial assets of the Company include cash at bank and in hand, insurance receivables, other receivables, due from related parties and investments. Financial liabilities include insurance payables, other payable and due to related parties. Accounting policies for each class of financial assets and liabilities are set out in note 2.

Categories of financial instruments Year- 2008

Assets	Loans and receivables	Financial instruments	Insurance Contracts	Non- financial Instruments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Statutory deposits	17,975	-	-	-	17,975
Property and equipment	-	-	-	2,033	2,033
Investment property	-	-	-	94,382	94,382
Financial assets	-	87,195	-	-	87,195
Insurance receivables	33,966	-	-	-	33,966
Other receivables	1,644	-	-	418	2,062
Due from related parties	21,926	-	-	-	21,926
Re-insurer's share of outstanding claims	-	-	46,446	-	46,446
Cash in hand and at banks including deposits	-	37,947	-	-	37,947
Total assets	75,511	125,142	46,446	96,833	343,932

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

31 Financial instruments (continued.)

Liabilities	At cost	Insurance Contracts	Total AED'000
End of service benefits	1,254	-	1,254
Outstanding claims provision	-	72,280	72,280
Technical provisions	-	44,382	44,382
Insurance and other payables	71,167	-	71,167
Due to related parties	648	-	648
Total liabilities	<u>73,069</u>	<u>116,662</u>	<u>189,731</u>

Capital management

The Company's objective when managing capital risks are:

- 1) To comply with the Insurance Capital Requirements required by the UAE Federal Law No. 9 of 1984 as amended concerning Insurance Companies and Agents. The minimum regulatory capital for Insurance Companies which must be maintained at all times throughout the year as per UAE Law is AED 50,000,000/-
- 2) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to the shareholders.
- 3) To provide an adequate rate of return to shareholders by pricing products and services commensurately with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders or issue new shares.

There were no changes made in the objectives, policies or processes during the years 31 December 2008 and 31 December 2007.

The table below summarises the minimum regulatory capital of the Company and the actual equity held by the Company at the end of the year:

	2008 AED'000	2007 AED'000
Total equity held	154,201	435,519
Minimum Regulatory Capital	50,000	50,000

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

31 Financial instruments (continued.)

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, liquidity risk, foreign exchange risk and market risk. The broad review and agreed policies for management of these risks are summarized below:

Credit risk

Credit risk is the risk that one party to a contract underlying a financial instrument will fail to discharge its obligations causing the other party to incur a financial loss.

All of the Company's underwriting activities are carried out in the United Arab Emirates. Cash is placed with a group of banks with good credit ratings. Credit risk on account receivables is spread, as they are due from a large number of customers. Credit risk with respect to 'due from insurer's and due from brokers is diversified due to the dispersion of amounts recoverable over a large number of insurers.

Credit risk with respect to reinsurers is mitigated by placement only with those Companies having an acceptable rating.

Credit risk is limited to the carrying values of financial assets in the balance sheet.

The following table provides an age analysis of receivables arising from insurance past due but not impaired.

	Neither past due nor impaired AED'000	Past due but not impaired			Total AED'000	Past due and impaired AED'000	Total AED'000
		<120 days AED'000	120-180 days AED'000	> 180 days AED'000			
31 December 2008	27,835	3,716	1,279	3,494	36,324	(2,358)	33,966
31 December 2007	12,948	677	785	2,904	17,314	(3,395)	13,919

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

31 Financial instruments (continued.)

Liquidity risk

Liquidity risk is the risk that the Company faces in meeting its present and future financial obligations in a timely manner. Solvency risk refers to the excess of assets over liabilities, and hence, to the adequacy of the Company's capital. The Company is required to maintain an adequate level of liquidity by the regulatory requirements currently in force in the UAE.

Liquidity requirements are monitored by the management to ensure sufficient funds are available to meet commitments as they arise. The table below summarized the contractual maturity of various financial instruments:

Year -2008

	Less than 30 days	30-90 days	90-180 days	After 180 days	Total AED'000
Statutory deposits				17,975	17,975
Financial assets	-	2,000	-	85,195	87,195
Insurance receivables	6,112	19,054	6,000	2,800	33,966
Other receivables	-	1,514	-	130	1,644
Due from related parties	3,500	14,926	3,500	-	21,926
Cash in hand and at banks including deposits:					
Interest bearing	1,000	18,439	3,000	4,323	26,762
Non-interest bearing	3,210	-	-	-	3,210
	<u>13,822</u>	<u>55,933</u>	<u>12,500</u>	<u>110,423</u>	<u>192,678</u>
Liabilities					
Insurance and other payables	5,548	20,700	22,911	22,008	71,167
Due to related parties	-	648	-	-	648
	<u>5,548</u>	<u>21,348</u>	<u>22,911</u>	<u>22,008</u>	<u>71,815</u>

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

31 Financial instruments (continued.)

Year -2007	Less than 30 days	30-90 days	90-180 days	After 180 days	Total AED'000
Statutory deposits	-	-	-	15,475	15,475
Financial assets	-	-	-	360,296	360,296
Insurance receivables	2,880	11,039	-	-	13,919
Other receivables	400	-	-	-	400
Due from related parties	5,941	8,655	-	-	14,596
Cash in hand and at banks including deposits:					
Interest bearing	26,240	21,132	3,148	-	50,520
Non-interest bearing	2,226	-	-	-	2,226
	<u>37,687</u>	<u>40,826</u>	<u>3,148</u>	<u>375,771</u>	<u>457,432</u>
Liabilities					
Insurance and other payables	14,736	28,745	-	16,304	59,785
Due to related parties	228	-	-	-	228
	<u>14,964</u>	<u>28,745</u>	<u>-</u>	<u>16,304</u>	<u>60,013</u>

Interest rate risk

The interest risk is the risk that the value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company has interest bearing deposit in commercial banks having effective interest rate (2.1% - 6.7%). The interest rate is floating in nature. However, the Company does not foresee any material impacts due to interest rate fluctuations in the foreseeable future.

DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.)

31 Financial instruments (continued.)

Exchange risk

A major portion of the Company's liabilities and assets are denominated in UAE Dirhams or US Dollars, barring Beirut Branch which is in Lebanese Lira. However since the US Dollar is effectively pegged to AED, there is minimal risk. Moreover assets and liabilities in Beirut branch are not considered to be significant to adversely result in significant exchange loss.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its investments in quoted shares.

The Company limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in stock markets. In addition, the company actively monitors the key factors that affect stock movements, including analysis of the operational and financial performance of investee.

All the Company's investments are within the United Arab Emirates.

Sensitivity of equity prices

At the balance sheet date, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all other variables were held constant

- The Company's Statement of Equity would have increased/decreased by AED 7.465 Million (2007: AED 34.975 Million)

Method and assumptions for sensitivity analysis

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

32 Comparatives

Prior year figures have been reclassified in certain instances; however there has been no impact to the income statement.