Islamic Arab Insurance Co. (Salama) and its subsidiaries

Directors' report and consolidated financial statements
For the year ended 31 December 2008

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سلامة
SALAMA
الشركة الإسلامية العربية للتأمين (ش.م.ع.)
ISLAMIC ARAB INSURANCE CO. (P.S.C.)
معاً . لمستقبل آمن .
SECURING OUR FUTURE. *together.*

مقيدة تحت الرقم (١٧) بموجب القانون الاتحادي رقم (٩) لسنة ١٩٨٤.
Registration No. (17) under Federal Law No. (9) of 1984.

Report of the Board of Directors

Dear Shareholders,

The Board of Directors is pleased to present the 29th Annual Report of the Company together with the audited consolidated financial statements for the year ended on 31 December 2008.

All operating entities of the Company have maintained their growth momentum in their respective markets. The gross written premium income has increased by 42% to AED 1.326 billion against AED 933 million in year 2007. The management's increased focus on operational performance and core business of the Company result in increase in underwriting income by 39% from AED 118 million in 2007 to AED 164 million for year 2008.

As expected in current global financial turmoil, the investments did not produce good results, however prudent and timely corrective measures in addition to our geographical spread especially in the relatively closed markets which are not much exposed to the current financial crisis saved the Company from adverse impacts as experienced in the region.

Your Company SALAMA managed to maintain a financial strength rating of "A-" by AM BEST and "BBB+" by S & P. Both ratings are based on good competitive position, strong operating performance and strong capitalization. Both ratings carry stable outlook which is unlikely to change in near future.

In year 2008 SALAMA UAE operations achieved another land mark by starting up Individual Family Takaful solutions. The range of products is of international standards, market response to these products was excellent and within one year time SALAMA has been able to create its own identity in the Individual Family Takaful market.

Financial highlights of the Company for years ended December 2008 and 2007 are as follows:-

الطابق الثاني . امبرالد للشقق المفروشة | 2nd Floor, Emerald Apartments Building
شارع عود ميثاء، ص.ب. ١٠٢٢١٤، دبي، ا.ع.م | Oud Metha Road, P.O. Box: 102214, Dubai, U.A.E

	2008 AED '000	2007 AED '000
Gross premium written	**1,326,798**	933,222
Earned premium	**1,049,909**	740,939
Incurred claims	**619,571**	423,506
Underwriting income	**164,365**	118,484
General & Admin. Exp.	**124,046**	102,761
Technical reserves	**901,819**	690,590

SALAMA is the largest Takaful and Re-Takaful company in the world by coverage and capitalization. Your Company Board is committed to maintain this strong leadership position.

We would like to convey our thanks to our clients and reinsurers for their invaluable support. We would also like to thank the management and staff for their efforts and contribution towards the growth of the Company.

30 MAR 2009

Board of Directors

الطابق الثاني، اميرالد للشقق المفروشة
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The Shareholders
Islamic Arab Insurance Co. (Salama) and its subsidiaries

Independent auditor's report

We have audited the accompanying consolidated financial statements of Islamic Arab Insurance Co. (Salama) ("the Company") and its subsidiaries (collectively referred to as the "Group") which comprises the consolidated balance sheet as at 31 December 2008, the consolidated statement of income, the consolidated statement of cash flows and the consolidated statement of changes in shareholder's equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended) concerning commercial companies and Federal law No. 9 of 1984 (as amended) concerning insurance companies and agents.

Report on other legal and regulatory requirements

As required by the Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2008, which may have had a material adverse effect on the business of the Group or its consolidated financial position.

30 MAR 2009

Vijendra Nath Malhotra
Registration No : 48B

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Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated statement of income

for the year ended 31 December 2008

	Note	**2008**	2007
UNDERWRITING RESULTS		**AED'000**	AED'000
Underwriting income			
Gross written contributions	37	**1,326,798**	933,222
Less: reinsurance contributions ceded		**(222,736)**	(163,337)
Net contributions		**1,104,062**	769,885
Net movement in unearned contributions		**(54,15**3)	(28,946)
Contributions earned		**1,049,909**	740,939
Commission received on ceded reinsurance		**42,072**	23,022
		1,091,981	763,961
Underwriting expenses			
Gross claims paid		**511,399**	355,003
Less: reinsurance share of claims paid		**(60,449)**	(31,874)
Net claims paid		**450,950**	323,129
Net movement in outstanding claims & technical reserve life		**168,621**	100,377
Claims incurred		**619,571**	423,506
Commission paid and other costs		**308,045**	221,971
		927,616	645,477
Net underwriting income	37	**164,365**	118,484
Income			
(loss)/ income on investments	*8*	**(22,814)**	154,532
Other income		**11,937**	9,633
		153,488	282,649
Expenses			
General & administrative expenses	*9*	**(124,046)**	(102,761)
Financial expenses		**(26,606)**	(19,084)
Provision for charitable donations	*10*	**(3,282)**	(2,703)
Net (loss)/profit before tax for the year		(**446)**	158,101
Tax - current	*34*	**(3,646)**	(3,334)
Net (loss)/profit after tax for the year before policyholders' distribution		**(4,092)**	154,767
Distribution to policy holders		(**4,087)**	-
Net (loss)/profit after tax and distribution to policy holders for the year		**(8,179)**	154,767
Earnings per share (AED)	*33*	**(0.008)**	0.14
Attributable to:			
Shareholders		(**10,400)**	153,029
Minority interest		**2,221**	1,738
		(8,179)	154,767

The notes on pages 9 to 62 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on page 3.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated balance sheet

at 31 December 2008

	Note	2008 AED'000	2007 AED'000
ASSETS			
Property and equipment	*11*	**63,119**	65,995
Intangible assets	*12*	**9,974**	8,541
Goodwill	*5*	**186,194**	186,194
Investment properties	*13*	**86,326**	90,095
Investments in associates	*14*	**24,694**	29,607
Statutory deposits	*15*	**34,133**	27,671
Investments	*16*	**785,601**	914,775
Deposits with insurance and reinsurance companies	*17*	**313,855**	306,788
Contributions and insurance balance receivables	*18*	**627,585**	455,207
Reinsurers' share of outstanding claims	*21*	**98,642**	101,166
Reinsurers' share of unearned contributions	*22*	**47,121**	48,772
Amounts due from related parties	*26*	**256,046**	50,059
Other assets and receivables	*19*	**71,627**	63,350
Cash and bank balances	*20*	**313,561**	162,945
TOTAL ASSETS		**2,918,478**	2,511,165
LIABILITIES			
Bank finance	*25*	**368,732**	178,142
Outstanding claims & Family Takaful reserve	*21*	**678,590**	517,969
Unearned contributions reserve	*22*	**223,229**	172,621
Insurance balances payable	*23*	**150,451**	108,082
Other payables and accruals	*24*	**114,425**	92,543
Amounts due to related parties	*26*	**4,546**	4,957
TOTAL LIABILITIES		**1,539,973**	1,074,314
NET ASSETS EMPLOYED		**1,378,505**	1,436,851
FINANCED BY:			
Shareholders' equity		**1,354,344**	1,411,823
Policyholders' fund	*28*	**-**	-
Minority interest	*27*	**24,161**	25,028
		1,378,505	1,436,851

The notes on pages 9 to 62 form an integral part of these consolidated financial statements.

We approve these consolidated financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgements underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation.

These consolidated financial statements were approved on 30 MAR 2009

Vice Chairman & CEO

Chief Financial Officer

The independent auditor's report is set out on page 3.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2008

	2008	2007
	AED'000	AED'000
Operating activities		
Net (loss) / profit before minority interest and distribution to policyholders	**(8,179)**	154,767
Adjustment for:		
Depreciation	**5,549**	5,554
Net movement in unearned contributions reserve	**54,153**	28,946
Unrealised losses/(gains) on investments	**29,757**	(34,762)
Unrealised loss/(gain) on investment property	**472**	(15,188)
Amortization of intangible assets	**1,313**	3,600
Foreign exchange income	**(6,973)**	-
Share of loss from associates	**5,933**	3,933
Distribution to policyholders	**3,252**	-
Dividend income	**(2,247)**	(1,052)
Operating profit before changes in working capital	**83,030**	145,798
Increase in deposits with insurance and reinsurance companies	**(7,067)**	(21,478)
Increase in contributions and insurance balance receivable	**(174,278)**	(138,356)
Increase in due from / to related parties	**(206,397)**	(51,290)
Increase in other assets and receivables	**(8,280)**	(67,238)
Increase in outstanding claims (net of reinsurance)	**163,145**	104,645
Increase in insurance payables and other payables	**61,007**	32,773
Cash flows from operating activities	**(88,840)**	4,854
Investing activities		
Property and equipment-net	**(1,806)**	(18,081)
Net movement in intangible assets	**(2,748)**	(1,148)
Investment properties – net	**3,297**	-
Net movement in associates	**(1,020)**	-
Statutory deposits	**(6,462)**	(5,335)
Investments-net	**69,660**	(602,178)
Dividends received	**2,247**	1,052
Cash flows from investing activities	**63,168**	(625,690)
Financing activities		
Decrease from buyback of share capital	**(11,214)**	(24,759)
Bank finance-net	**190,590**	15,519
Net movement in minority interest	**(3,088)**	(16,151)
Cash flows from financing activities	**176,288**	(25,391)
Increase/(decrease) in cash and cash equivalents	**150,616**	(646,227)
Cash and cash equivalents at the beginning of the year	**162,945**	809,172
Cash and cash equivalents at the end of the year (note 20)	**313,561**	162,945

The notes on pages 9 to 62 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on page 3.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December 2008

	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange translation AED'000	Investment fair value reserve AED'000	Treasury stock AED'000	Retained earnings AED'000	Total AED'000	Minority interest AED'000	Total equity AED'000
Balance at 1 January 2007	1,100,000	34,601	6,697	(3,505)	3,217	-	131,047	1,272,057	41,179	1,313,236
Share in foreign exchange translation reserve	-	-	-	5,807	-	-	-	5,807	1,442	7,249
Share in net change in fair value of available-for-sale investments	-	-	-	-	3,375	-	-	3,375	(2)	3,373
Share in net changes in fair value of property and equipment	-	-	4,930	-	-	-	-	4,930	603	5,533
Movement upon the acquisition of subsidiary	-	-	-	-	-	-	(2,616)	(2,616)	(19,233)	(21,849)
Total income and expense recognised directly in equity	-	-	4,930	5,807	3,375	-	(2,616)	11,496	(17,190)	(5,694)
Net profit for the year	-	-	-	-	-	-	153,029	153,029	1,738	154,767
Total income and expense recognised	-	-	4,930	5,807	3,375	-	150,413	164,525	(15,452)	149,073
Buy back of own shares	-	-	-	-	-	(24,759)	-	(24,759)	-	(24,759)
Transfer to statutory reserve	-	15,303	-	-	-	-	(15,303)	-	-	-
Dividend	-	-	-	-	-	-	-	-	(699)	(699)
Balance at 31 December 2007	**1,100,000**	**49,904**	**11,627**	**2,302**	**6,592**	**(24,759)**	**266,157**	**1,411,823**	**25,028**	**1,436,851**

The notes on pages 9 to 62 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on page 3.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2008

	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign Exchange Translation AED'000	Investment fair value reserve AED'000	Treasury stock AED'000	Retained earnings AED'000	Total AED'000	Minority interest AED'000	Total equity AED'000
Balance at 1 January 2008	1,100,000	49,904	11,627	2,302	6,592	(24,759)	266,157	1,411,823	25,028	1,436,851
Share in foreign exchange translation reserve	-	-	-	(6,973)	-	-	-	(6,973)	(1,347)	(8,320)
Share in net change in fair value of available-for-sale investments	-	-	-	-	(89,569)	-	-	(89,569)	(2,680)	(92,249)
Impairment loss recognised	-	-	-	-	59,812	-	-	59,812	-	59,812
Share in net changes in fair value of property and equipment	-	-	864	-	-	-	-	864	5	869
Movement upon the acquisition of subsidiary	-	-	-	-	-	-	-	-	-	
Increase in cash through contribution	-	-	-	-	-	-	-	-	1,648	1,648
Total income and expense recognised directly in equity	-	-	864	(6,973)	(29,757)	-	-	(35,866)	(2,374)	(38,240)
Net loss for the year	-	-	-	-	-	-	(10,400)	(10,400)	2,221	(8,179)
Total income and expense recognised	-	-	864	(6,973)	(29,757)	-	(10,400)	(46,266)	(153)	(46,419)
Buy back of own shares	-	-	-	-	-	(11,213)	-	(11,213)	-	(11,213)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(714)	(714)
Balance at 31 December 2008	**1,100,000**	**49,904**	**12,491**	**(4,671)**	**(23,165)**	**(35,972)**	**255,757**	**1,354,344**	**24,161**	**1,378,505**

The notes on pages 9 to 62 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on page 3.

Notes
(forming part of the consolidated financial statements)

1. Legal status and activities

Islamic Arab Insurance Co. (Salama) ("the Company") is a public shareholding company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P O Box 10214, Dubai, United Arab Emirates. The principal activity of the Company is the writing of all classes of general insurance and life insurance business (started 2006), principally motor insurance, in accordance with Islamic Shari'a principles and in accordance with UAE Federal Law no. 9 of 1984 relating to insurance companies and insurance agents.

In September 2005, the Company acquired 82.21% of Takaful & Retakaful International Investment Company BSC (c) ("Tariic") ("the Subsidiary"), a closed Bahrain Joint Stock Company incorporated in the Kingdom of Bahrain, with the control transferring with effect from 1 January 2005 in accordance with a Sale and Purchase Agreement (refer note 5). After the initial purchase, further acquisitions were made in Tariic. After purchasing additional 4,080,465 shares in 2007, the holding of the Company has increased to 99.40%.

In addition, the Company acquired 222,494 shares in Best Re which is one of the subsidiaries of Tariic. The shares acquired represents 40.45 % holding in Best Re. During the third quarter of 2006, Best Re has increased its share capital from 550,000 to 1 million shares which all were allotted to Tariic. The direct shareholdings of the Company decreased to 22.25%.

The Company and its subsidiaries are referred to as "the Group". Tariic is a holding company and no commercial activities are carried out in the Kingdom of Bahrain. It has the following subsidiaries which are engaged in insurance and reinsurance under Islamic Shari'a principles:

	Tariic Ownership		
Subsidiaries	**31 December 2008**	**31 December 2007**	**Country of Incorporation**
Best Re	**77.75%**	77.75%	Tunisia
Salama Assurances Senegal (formerly) Sosar	**52.66%**	52.66%	Senegal
Salama Assurances Algerie (formerly Al Baraka Oua Al Amane)	**89.11%**	89.11%	Algeria
Egypt Saudi Insurance Home	**51.15%**	51.15%	Egypt

2 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and the requirements of UAE Federal Law No.8 of 1984 (as amended).

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.Except stated in note 3, these policies have been consistently applied to all years presented unless otherwise stated.

2 Basis of preparation (continued)

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

a) financial instruments at fair value through profit and loss are measured at fair value,

ii) available-for-sale financial assets are measured at fair value, and

vi) investment property is measured at fair value.

vii) land and buildings are measured at revalued amounts.

c) Functional and reporting currency

The consolidated financial statements have been prepared in UAE Dirhams (AED).

d) Critical accounting estimates and judgement in applying accounting policies

The Group makes estimates and assumptions 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 the factors including expectations of future events that are believed to be reasonable under the circumstances.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Group will ultimately pay for such claims. The provision for claims incurred but not reported ("IBNR") is an estimation of claims which are expected to be reported subsequent to the balance sheet date, for which the insured event has occurred prior to the balance sheet date.

Impairment losses on receivables

The Group assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Group evaluates credit risk characteristics that consider industry, past-due status and an estimation of future cash flows being indicative of the ability to pay all amounts due as per the contractual terms.

Impairment losses on available-for-sale investments

The Group determines that available-for-sale unquoted equity securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In making this judgement, the Group evaluates credit risk characteristics that consider industry, past due status and an estimation of future cash flows being indicative of the ability to pay all amounts due as per the contractual terms.

2 Basis of preparation (continued)

e) New standards and interpretations not yet effective

New standards and interpretations not yet adopted

A number of new standards, amendment to standards and interpretations are not effective for the year ended 31 December 2008, and have not been applied in preparation of these separate financial statements:

- IFRS – 8: Operating Segments (effective 1 January 2009);
- IAS 23 (Revised): Borrowing costs (effective1 January 2009);
- IAS – 1 (Revised): Presentation of unconsolidated financial statements (effective1 January 2009);
- IFRIC- 13: Customer loyalty programmes (effective 1 July 2008);
- Amendments to IFRS – 2: Share based Payment (effective 1 July 2009);
- IFRS – 3: Business Combinations (effective 1 July 2009);
- Amendments to IAS – 32: Financial Instruments Presentation and Disclosure (effective July 2009);
- Amendments to IAS – 39: Financial Instruments (effective 1 January 2009);
- Amendments to IAS – 27: Consolidated and Separate Unconsolidated financial statements (1 January 2010);
- IFRIC – 16: Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008);

The application of these new standards, interpretations and amendments will not have a material impact on the entity's financial statements in the period of initial application.

f) Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The consolidated financial statements of the subsidiary are included in the Group's consolidated financial statements from the date that control commences until the date that control ceases.

Minority interests in the equity and results of the entities that are controlled by the Group are shown as a part of consolidated statements of changes in shareholders equity in the Group's consolidated financial statements.

Any contribution or discounts on subsequent acquisition, after control is obtained, of equity instruments from (or sale of equity instruments to) minority interests is recognised directly in shareholders' equity.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases.

2 Basis of preparation (continued)

f) Basis of consolidation (continued)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of investment is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the Group's consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated, wherever practicable, to the extent of the Group's interest in the enterprise. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. Significant accounting policies

Except stated in note 3(c), the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Insurance contracts

i) Classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to happening of the insured event compared to its non happening.

Insurance contracts may also transfer some 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 prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where insurance risk is not significant are classified as investment contracts.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expire.

3. Significant accounting policies (continued)

a) Insurance contracts

ii. Recognition and measurement

Gross written contributions

General Takaful contracts

Gross written contributions, in respect of annual policies, are recognised in the statements of income at policy inception. In respect to policies with a term of more than one year, the contributions are spread over the tenure of the policies on a straight line basis, and the unexpired portion of such contributions is included under "unearned premiums" in the balance sheet.

Family Takaful contracts

These contracts relates to human life events (for example death or survival), bodily injury etc.

For short term contracts, normally with group customers, the contributions are recognized when due.

For long term contracts, normally with individual customers, the contributions are booked on receipt.

iii) Claims

Claims incurred comprise the settlement and the internal and external handling costs of paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Gross claims paid
Gross claims paid are recognised in the statement of income when the claim amount payable to policyholders and third parties is determined as per the terms of the insurance contracts.

3. Significant accounting policies (continued)

a) Insurance contracts (continued)

Claims recovered

Claims recovered include amounts recovered from reinsurance companies in respect of the gross claims paid by the Group, in accordance with the reinsurance contracts held by the Group. It also includes salvage and other claims recoveries.

Gross outstanding and IBNR claims
Gross outstanding claims comprise the estimated costs of claims incurred but not settled at the balance sheet date. Provisions for reported claims not paid as at the consolidated balance sheet dates are made on the basis of individual case estimates. This provision is based on the estimate of the loss, which will eventually be payable on each unpaid claim, established by the management in the light of currently available information and past experience. An additional net provision is also made for any claims incurred but not reported ("IBNR") at the consolidated balance sheet date on the basis of management estimates. The basis of estimating outstanding claims and IBNR are detailed in note 21.

The reinsurance share of the gross outstanding claims is estimated and shown separately.

iv) Unearned contribution reserves

Provision is made for contribution deficiency arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned contributions provision and already recorded claim liabilities in relation to such policies. The provision for contribution deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned contributions and claims provisions.

An additional provision is made at the balance sheet date for potential shortfall in ,earned contribution reserve by reference to $1/24^{th}$ method except for marine business where $1/6^{th}$ method is used. Unearned contributions for Individual Life business are considered by the Company's actuary.

v) Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related contributions is included in reinsurance assets.

3. Significant accounting policies (continued)

a) Insurance contracts (continued)

v) Reinsurance(continued)

Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is 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 event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of income in the period in which they are incurred.

Profit commission in respect of reinsurance contracts is recognised on an accrual basis and reinsurance commission is recognised on the basis.

vi) Deferred commission cost

For general insurance contracts, the deferred commission cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross contributions written that is unearned at the balance sheet date and becomes part of unearned premium reserves.

For individual life family takaful, commission is deferred and charged over four years on straight line basis.

vii) Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

viii) Family takaful reserves

The risk reserves are determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of fund are affected by charges or credits to income.

(ix) Salvage and subrogation reimbursements
Some insurance contracts permit the Group to sell property (usually damaged) acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). Estimates of salvage recoveries and subrogation reimbursements are recognised as an allowance in the measurement of the insurance liability for claims.

3. Significant accounting policies (continued)

b) Revenue (other than insurance revenue)

Revenue (other than insurance revenue) comprises the following:

i) Fee and commission income

Fee and commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies.

ii) Investment income

Investment income comprises income from financial assets, rental income from investment property and fair value gains/losses on investment property.

Income from financial assets comprises interest and dividend income, net gains/losses on financial assets classified at fair value through profit or loss, and realised gains/losses on financial assets.

Interest income is recognised on a time proportion basis using effective interest rate method. Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities. Basis of recognition of net gains/losses on financial assets classified at fair value through profit or loss and realised gains on other financial assets is described in note 3 (c).

Rental income from investment property under operating leases is recognised in profit or loss on a straight-line basis over the term of each lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Fair value gains/losses on investment property are included in the statement of income in the period these gains are determined. Details of valuations during the year are included in note 13.

c) Financial instruments

Non-derivative financial instruments

Non-derivative financial assets comprise investments in equity and debt securities, insurance and other receivables, cash and cash equivalents, investment contract liabilities, insurance and other payables and other liabilities.

i) Recognition, derecognition and initial measurement

Non-derivative financial instruments are measured initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

3. Significant accounting policies (continued)

c) Financial instruments (continued)

i) Recognition, derecognition and initial measurement (continued)

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled. Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Company commits itself to purchase or sell the asset.

ii) Categories of financial instruments

Financial instruments at fair value through profit or loss
An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Subsequent to initial measurement, financial instruments at fair value through profit or loss are measured at fair value, with fair value changes recognised in statement of income. Net changes in the fair value of financial assets classified as at fair value through profit or loss includes interest income and any dividends received.
Change in accounting policy

In October 2008 the IASB issued Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures). The amendment to IAS 39 permits an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, as follows:

a) If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

b) If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in 'rare circumstances'.

The amendment to IFRS 7 introduces additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendment to IAS 39. The amendments are effective retrospectively from 1 July 2008.

3. Significant accounting policies (continued)

c) Financial instruments (continued)

Non-derivative financial instruments (continued)

ii) Categories of financial instruments (continued)

Pursuant to these amendments, the Group reclassified certain non-derivative financial assets out of trading assets into available-for-sale investment securities. For details on the impact of these reclassifications, see note 16.

All financial assets held by the Company in respect of its long term business funds are designated by the Company on initial recognition at fair value through profit or loss. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these assets were not measured at fair value and the changes in fair value were not recognised in profit or loss.

Held-to-maturity investments
If the Company has the positive intent and ability to hold debt securities to maturity, and these debt securities have not been designated at fair value through profit or loss, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

This category is used for financial assts that are not classified as at fair value through profit or loss or held-to-maturity investments. Interest income is recognised in statement of income using the effective interest method. Dividend income is recognised in statement of income when the Company becomes entitled to the dividend. Foreign exchange gains/losses on monetary securities are recognised in the statement of income. Other fair value changes are recognised directly in equity until the investment is sold or impaired and the relevant balance in equity is recognised in statement of income.

Other financial assets

Other non-derivative financial assets, such as cash and cash equivalents and insurance and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

iii) Offsetting

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.
Income and expenses are presented on a net basis only when permitted by accounting standards. Gains and losses arising from a group of similar transactions are reported on a net basis.

3. Significant accounting policies (continued)

c) Financial instruments (continued)

Non-derivative financial instruments (continued)

iv) Fair value measurement

The determination of fair values of financial instruments is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into an arm's length transaction, a financial instrument is recognised initially at its transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference is not recognised in profit or loss immediately. The timing of its recognition depends upon the facts and circumstances of each transaction but is not later then when the market data which supports the gain or loss becomes available.

v) Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Company about any significant financial difficulty of the issuer, significant changes in the technological, market, economic or legal environment in which the issuer operates. A significant or prolonged decline in the fair value of an equity instrument below its cost is also objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3. Significant accounting policies (continued)

c) Financial instruments (continued)

Non-derivative financial instruments (continued)

v) Identification and measurement of impairment (continued)

All impairment losses are recognised in statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to statement of income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

vi) Other financial instruments

Other financial liabilities include amounts payable in the future to agents and intermediaries in respect of investment contracts issued by the Company. Payments are made on an annual basis on the anniversary of the inception of a contract if a contract has not been surrendered at that date.

These financial liabilities are measured at fair value on initial recognition. Fair value is determined by discounting the present value of the expected future payments at the discount rate that reflects current market assessment of the time value of money for a liability of equivalent average duration.

Subsequent to initial recognition these financial liabilities are stated at amortised cost using the effective interest method.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

d) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3. Significant accounting policies (continued)

e) Foreign currency transactions

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the consolidated balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to AED at the foreign exchange rates ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the statement of income. The assets and liabilities of foreign subsidiaries and the equity of associates are translated at the rate of exchange ruling at the consolidated balance sheet date.

The statements of income of foreign subsidiaries and the results of associates are translated at the average exchange rates for the year. The exchange differences on the retranslation are taken directly to equity.

f) Share capital

Ordinary shares
Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

Treasury shares
When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

g) Property and equipment and depreciation

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any except for land and building which are stated at revalued amount.

Capital work in progress

Capital work in progress is stated at cost until the construction is complete. Upon the completion of construction, the cost of such assets together with the cost directly attributable to construction, including capitalized borrowing costs are transferred to the respective class of asset. Depreciation is charged if use of the asset commences before construction is complete.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized. All other expenditure is recognized in the consolidated statement of income as an expense.

3. Significant accounting policies (continued)

h) Property and equipment and depreciation (continued)

Depreciation

Depreciation is charged to the consolidated income statement on a straight line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated. The depreciation methods, useful lives and residual value of property and equipment are reassessed annually. The estimated useful lives of these assets (except for land) are 4-10 years.

i) Leased Assets

Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

j) Employee terminal benefits

Defined benefit plan

The Group 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 national employees, the Group makes contributions to local insurance schemes as per the local laws calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks and bank deposits with maturities of less than three months, net of revolving bank finance and excluding deposits under lien.

l) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

m) Operating lease

Leases in terms of which the substantial risk and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease rentals and payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

3. Significant accounting policies (continued)

n) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised directly in equity.

Acquisitions of minority interests
Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Software

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of income on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets comprise of software costs, which are amortised over a period of 3-5 years. Expenditure on internally generated intangible assets is recognised in the income statement as an expense as incurred.

o) Income tax

The Group is not subject to any taxes in the UAE. Taxation on foreign operations of the subsidiaries is provided for in accordance with fiscal regulations applicable in each location.

p) Deficiency in policyholders' fund

Any deficit in the policyholders' fund is financed by the shareholders through loans. The Group maintains a full provision against such loans (refer note 28).

q) Underwriting income attributable to policyholders and shareholders

As stated in note 1, the Group operates in accordance with Islamic Shari'a principles. As a result, the net underwriting income from the operations of the Group is attributable to policyholders in accordance with the terms and conditions of insurance contracts acquired by the policyholder which stipulates that the insured on taking out this policy from the Group becomes entitled to participate in the contributions pool with insured parties in the class of insurance on cooperative (mutual basis).

3. Significant accounting policies (continued)

q) Underwriting income attributable to policyholders and shareholders (continued)

The relationship of the insured with the Group will be determined particularly as to his share in the surplus net of management expenses, liabilities for claims and necessary reserves by the Board of Directors of the Company for the class of insurance at the end of fiscal year of the Group. The Group undertakes to pay such share to the insured in the net profits in accordance with the resolution of the Board of Directors of the Group after the close of fiscal year of the Group. However, the net underwriting income from the operations of subsidiaries is attributable to the shareholders in accordance with the regulations prevailing in the jurisdiction of each subsidiary.

Therefore, the Company maintains separate accounts for insurance operations on behalf of the policyholders.

r) Long-term Unit Linked insurance contracts

A unit-linked insurance contract is an insurance contract linking payments on the contract to units of investment funds set up by the Group with the contributions received from the plan holder. These funds are managed by the group on behalf of plan holders in fiduciary trust as a Mudarib (Manager). In addition group manages Tabarru fund on behalf of plan holders to meet the obligations arising out of takaful operations. The Group has no recourse to the assets of Tabarru fund. An investment charge based on a certain percentage of value of fund is charged as fee. The liability towards the plan holder is linked to the performance of the underlying assets of these funds. This embedded derivative meets the definition of an insurance contract. Since all the liabilities arising from the embedded derivative are already measured at fair value and since all the investments on behalf of plan holders are classified as fair value through profit and loss, the Group does not account embedded derivatives separately.

In case of a claim, the amount paid is higher of the sum assured or the unit value. The liability is calculated through actuarial valuation based on the present value of expected benefits to plan holders.

Where the Tabarru Fund is insufficient to meet the liabilities, the shareholders shall grant interest free loan to the fund to meet its liabilities under the contracts held with participants. This loan is called Qard-e-Hasan. The Qard-e-Hasan is repaid to shareholders from the future surplus of Tabarru Fund.

The contribution after allocation to unit fund/investment fund of plan holder is called Takaful Donation and is taken to Tabarru fund from where Wakala fee is paid to shareholders. Takaful Donation is based on appropriate rates of mortality and morbidity. The Tabarru fund is a collective pool established, invested and managed in accordance with Sharia Principles with the purpose of providing benefits on the lives of covered members (plan holders) and for the repayment of Qard-e-Hasan (if applicable).

3. Significant accounting policies (continued)

r) Long-term Unit Linked insurance contracts (continued)

The long term individual life contracts contain Discretionary Participation Feature (DPF). A surplus may arise in Tabaru fund after accounting for the claims, relevant expenses, investment returns and reserves. The surplus is available for the distribution to eligible participants provided there is net surplus in the Tabarru Fund in respect of the relevant year. The distribution is at the discretion of the Board of Directors. This contractual right is supplement to the other benefits mentioned in the contract. The DPF is classified as liability and is included in policyholders' fund (note 28).

s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

u) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Property and equipment

The fair value of property and equipment, where relevant is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

3. Significant accounting policies (continued)

u) Determination of fair values (continued)

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

(iii) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(iv) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of profit at the reporting date.

(v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and profit cash flows, discounted at the market rate of profit at the reporting date. In respect of the liability component of convertible notes, if any, the market rate of profit is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of profit is determined by reference to similar lease agreements.

3. Significant accounting policies (continued)

v) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities using current estimates of future cash flows under insurance contracts. In performing these, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets supporting such liabilities are used. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

4. Risk management

The Group issues contracts that transfer either insurance risk or both insurance and financial risks. The Group does not issue contracts that transfer only financial risks. This section summarizes these risks and the way the Group manages them.

a) Introduction and overview

Governance framework
The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Group is in the phase of establishing a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees.

Capital management framework
The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole are exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

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

The operations of the Group are also subject to regulatory requirements within the UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize (e.g. unearned contributions reserve) the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Asset liability management (ALM) framework
Financial risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is the equity price risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. .
The Group's ALM framework is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM framework also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

4. Risk management (continued)

b) Insurance risk

Insurance risk is where the Group agrees to indemnify the insured parties against happening of unforeseen future insured events. The frequency and severity of claims are the main risk factors. As per the practices adopted by the Group, actual claim amounts can vary marginally compared to the outstanding claim reserves but are not expected to have a material impact.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Group underwrites mainly property, engineering, motor, miscellaneous accident, marines and personal accident classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Property

For property insurance contracts, the main perils are fire damage and other allied perils and business interruption resulting there from.

These contracts are underwritten either on replacement value or indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption and the basis of insurance are the main factors that influence the level of claims.

Engineering

For engineering insurance contracts, the main elements of risks are loss or damaged to insured project works and resultant third party liabilities, loss or damage to insured plants, machinery and equipment and resultant business interruption losses. The extent of the loss or damage is the main factor that influences the level of claims.

Motor

For motor insurance contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles.

The potential court awards for death and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

Miscellaneous accident

For miscellaneous accident classes of insurance such as loss of money, infidelity of employees, personal accident, workmen’s compensation, travel, general third party liability and professional indemnity are underwritten.

The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

4. Risk management (continued)

b) Insurance risk (continued)

Marine
In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in the total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Family takaful contracts
Underwriting is managed at each business unit through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Medical selection is part of the Company's underwriting procedures, whereby premiums are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

Reinsurance risk

In line with other insurance and reinsurance companies, in order to minimise financial exposure arising from large claims, the Group, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangement provides for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

To minimise its exposure to significant losses from reinsurers' insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurance ceded contracts do not relieve the Group from its obligations and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

Concentration of insurance risk

The Group has certain single insurance contracts which it considers as risks of high severity but very low frequency. The Group re-insures substantial part of these risks and its net exposure on any one single event is limited to AED 11 million (2007: AED 11 million).

4. Risk management (continued)

b) Insurance risk (continued)

Terms and conditions of insurance contracts

Insurance is based on uncertainty of event. As such the terms and conditions of insurance contracts varies but are normally based on the international guidance and policy wordings as followed by all insurance companies in the market.

Normally an insurance contract contains the coverage of the subject of insurance, the exclusions and obligations of the insured and the insurers. Deviations are reported forthwith to the insurer by the insured and any accident event to be reported immediately. Long tail business is generally that where the time period to ultimately finalise and settled claims could take a number of years.

The Group's estimates for reported and unreported losses and establishing resulting provisions and related reinsurance recoverables are continually reviewed and updated, and adjustments resulting from this review are reflected in the 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 claims.

Reserving risks are addressed by ensuring prudent and appropriate reserving for business written by the Group, thus ensuring that sufficient funds are available to cover future claims. Reserving practises for the Individual Life Insurance Portfolio involve the use of actuarial analysis from an independent actuary.

Credit risks

Credit risk under insurance contracts is risk that a counterparty will be unable to pay amounts in full when due.

Credit risk is control through terms of trade for receipt of contributions. Most of the counterparties are insurance companies that are generally not rated. However they are selected on their standing in the market, rating, relationship experience and length of association. All reinsurance counterparties are rated.

The concentration of the insurance risk before and after reinsurance by the territory in relation to the type of risk accepted is summarized below:

31 December 2008

	Gross outstanding claims	Reinsurance	Net outstanding claims
	AED'000	AED'000	AED'000
Africa	**163,935**	**(20,709)**	**143,226**
Far east	**344,256**	**(58,795)**	**285,461**
Middle east	**138,766**	**(16,969)**	**121,797**
Other	**31,633**	**(2,169)**	**29,464**
Total	**678,590**	**(98,642)**	**579,948**

4. Risk management (continued)

b) Insurance risk (continued)

Credit risks (continued)

31 December 2007

	Gross outstanding claims	Reinsurance	Net outstanding claims
	AED'000	AED'000	AED'000
Africa	131,359	(15,419)	115,940
Far east	242,851	(80,865)	161,986
Middle east	93,288	(4,882)	88,406
Other	50,471	-	50,471
Total	517,969	(101,166)	416,803

The concentration of the insurance risk before and after reinsurance by the line of business in relation to the type of risk accepted is summarized below:

31 December 2008

	Gross outstanding claims	**Reinsurance**	**Net outstanding claims**
	AED'000	**AED'000**	**AED'000**
Motor	**129,480**	**(3,235)**	**126,245**
Non-motor	**539,529**	**(89,316)**	**450,213**
Medical	**2,586**	**(1,438)**	**1,148**
Life	**6,995**	**(4,653)**	**2,342**
Total	**678,590**	**(98,642)**	**579,948**

31 December 2007

	Gross outstanding claims	Reinsurance	Net outstanding claims
	AED'000	AED'000	AED'000
Motor	117,125	(4,716)	112,409
Non-motor	397,378	(96,082)	301,296
Medical	1,884	(368)	1,516
Life	1,582	-	1,582
Total	517,969	(101,166)	416,803

Reinsurance arrangements are effected with reinsurers whose creditworthiness is assessed on the basis of satisfying minimum rating and financial strength criteria

4. Risk management

b) Insurance risk (continued)

Claims development

The Group maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Insurance claims-Gross

Underwriting Year	2005	2006	2007	2008	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Estimate of ultimate claims cost at end of reporting year:	254,838	349,699	466,177	529,325	1,600,039
Current estimate of cumulative claims (A)	254,838	349,699	466,177	529,325	1,600,039
Cumulative payments to date (B)	(225,388)	(280,239)	(302,290)	(132,849)	(940,766)
Net (A-B)	29,450	69,460	163,887	396,476	659,273
Liability recognized in the balance sheet as part of gross claim					650,114
Reserve in respect of years prior to 2005 part of the gross claim					19,317
Total reserve included in the balance sheet as part of the gross claim					678,590

4. Risk management

b) Insurance risk (continued)

***Claims development** (continued)*

Insurance claims-Net

Underwriting Year	2005	2006	2007	2008	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Estimate of ultimate claims cost at end of reporting year	234,459	319,476	406,290	465,257	1,425,482
Current estimate of cumulative claims (A)	234,459	319,476	406,290	465,257	1,425,482
Cumulative payments to date (B)	(205,577)	(256,306)	(274,712)	(123,904)	(860,499)
Net (A-B)	28,882	63,170	131,578	341,353	564,983
Liability recognized in the balance sheet as part of gross claim					555,824
Reserve in respect of years prior to 2005 part of the net claim					14,965
Total reserve included in the balance sheet as part of the net claim					579,948

It is not practicable for the Group to provide the past five year's claims development details as required by IFRS 4. However, an analysis for claims for the past four years has been presented.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and net profit.

31 December 2008

	Change in Assumption	**Impact on gross liabilities AED'000**	***Impact on net profit AED'000**
Current claims	**+ 10%**	**+ 67,859**	**+57,994**
	- 10%	**- 67,859**	**-57,994**

31 December 2007

	Change in Assumption	Impact on gross liabilities AED'000	*Impact on net profit AED'000
Incurred claims	**+ 10%**	**+ 51,796**	**+32,312**
	- 10%	**- 51,796**	**-32,312**

* the impact on net profit is net of reinsurance.

4. Risk management (continued)

c) Financial risks

The Group has exposure to the following primary risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk:

Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the financial statements at the balance sheet date.

Reinsurance is placed with reinsures approved by the management, which are generally international securities that are rated by international rating agencies or other GCC securities.

To minimize its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsures and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures.

At each reporting date, management performs an assessment of creditworthiness of reinsures and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment if required.

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is not available.

ii) Liquidity risk

Liquidity risk is the risk that a Group will encounter difficulty to meet commitments associated with financial liabilities

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

4 Risk management (continued)

c) Financial risks (continued)

ii) Liquidity risk (continued)

Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2008	**Carrying value**	**Contractual cash outflows**	**Less than 180 days**	**180 days to 1 year**	**1-5 Year**	**Over 5 Year**	**No stated maturity**
	←			**AED '000**			→
Outstanding claims Reserve	678,590	(678,590)	(50,329)	(195,442)	(409,463)	(2,905)	(20,451)
Insurance balance Payable	150,451	(150,451)	(122,276)	(10,621)	(17,554)	-	-
Other payables	114,425	(114,425)	(99,019)	(13,713)	-	-	(1,693)
Amount due to related parties	4,546	(4,546)	(1,729)	(2,817)		-	-
Bank finance	368,732	(641,654)	(7,260)	(211,321)	(57,663)	(365,410)	-
Total liabilities	**1,316,744**	**(1,589,666)**	**(280,613)**	**(433,914)**	**(484,680)**	**(368,315)**	**(22,144)**
31 December 2007							
	←			**AED '000**			→
Outstanding claims Reserve	517,969	(517,969)	(31,559)	(152,803)	(320,235)	(1,461)	(11,911)
Insurance balance Payable	108,082	(108,082)	(19,811)	(43,205)	(25,570)	-	(19,496)
Other payables	92,543	(92,543)	(50,889)	(16,052)	(3,254)	-	(22,348)
Amount due to related parties	4,957	(4,957)	(1,609)	-	(3,348)	-	-
Bank finance	178,142	(471,998)	(7,314)	(7,463)	(65,108)	(392,113)	-
Total liabilities	**901,693**	**(1,195,549)**	**(111,182)**	**(219,523)**	**(417,515)**	**(393,574)**	**(53,755)**

4 Risk management (continued)

c) Financial risks (continued)

iii) 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 Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and bond markets. In addition, the Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Company's functional currency is the UAE Dirham.

The significant financial assets and liabilities exposed to currency risk in equivalent thousand of Dirham are as under:

31 December 2008	**Financial Assets**	**Financial liabilities**	**Net**
Currency	**AED'000**	**AED'000**	**AED'000**
EURO	222,077	(171,473)	50,604
US$	1,367,052	(315,935)	1,051,117
EGP	56,374	(25,891)	30,483
TND	1,488	-	1,488
CFA	40,801	(42,038)	(1,237)
DZD	114,543	(80,150)	34,393
AED	582,464	(253,532)	328,932
Others	216,337	(406,255)	(189,918)
31 December 2007			
Currency			
EURO	195,331	(171,758)	23,573
US$	1,110,919	(162,340)	948,579
EGP	51,418	(30,706)	20,712
TND	159,255	(43,442)	115,813
CFA	105,134	(59,725)	45,409
DZD	168,071	(108,247)	59,824
Others	154,872	(142,529)	12,343

4. Risk management (continued)

c) Financial risks (continued)

iii) Market risk (continued)

Sensitivities

The analysis below is performed for reasonably possible movements in foreign exchange rate with all other assumptions held constant showing the impact on net profit or equity. The sensitivities carried out for subsidiaries only as the impact of currency risk on the Company's own assets and liabilities is considered insignificant.

31 December 2008

	Change in Forex	**Impact on net profit AED'000**	**Impact on equity AED'000**
Financial assets	**+10%**	**+163,371**	**-**
	-10%	**-163,371**	**-**
Financial liabilities	**+10%**	**+57,738**	
	-10%	**-57,738**	

31 December 2007

	Change in Forex	Impact on net profit AED'000	Impact on equity AED'000
Financial assets	+ 10%	+194,500	-
	- 10%	-194,500	-
Financial liabilities	+ 10%	+71,874	-
	- 10% -	-71,874	-

(b) Profit rate risk

Profit 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.

The Group is not exposed to any interest rate risk in terms of the re-pricing of its liabilities since in accordance with Islamic Shari'a, the Group does not entered into any interest bearing liabilities.

An increase of 100 basis points at the reporting date would have decreased the net assets and the profit of the Group by AED 551,710 (2007: AED 151,970), the decrease of 100 basis points will result in equal but opposite effect.

(c) Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

4. Risk management (continued)

c) Financial risks (continued)

iii) Market risk (continued)

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

Sensitivities

The analysis below is performed for reasonably possible movements in equity prices with all other assumptions held constant showing the impact on net profit or equity.

31 December 2008

	Change in Equity prices	**Impact on net profit AED'000**	**Impact on equity AED'000**
	+10%	**+3,885**	**+33,201**
	-10%	**-3,885**	**-33,201**

31 December 2007

	Change in Equity prices	Impact on net profit AED'000	Impact on equity AED'000
	+ 10%	+32,283	+18,387
	- 10%	-32,283	-18,387

d) Operational risks

Operational risk is the risk of loss arising from system 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 can lead to financial loss.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks.

The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorization and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

5. Acquisition of subsidiaries

As stated in note 1, with effect from 1 January 2005, the Company acquired 82.21% share in Tariic. The operating results and financial position of Tariic for the year ended 31 December 2005 have been consolidated with the financial statements of the Company as the Group has control over the operating and financial policies of Tariic. The above acquisition resulted in recognition of Goodwill in balance sheet amounting to AED 186.19 million.

Subsequent to the above acquisition, as stated in note 1, the Company increased its holding in Tariic to 99.40% as at September 30, 2007 by further acquisitions of 4,080,465 shares. The net resultant discount of AED 2.62 million on these acquisitions was recognised directly in Company's shareholder's equity.

In addition to the acquisitions in Tariic, as stated in note 1, Company acquired shares in Best Re, subsidiary of Tariic. The goodwill amounting to AED 25.6 million was recognised in Company's shareholder's equity. After the acquisition, Tariic acquired further holding in Best Re and recognised AED 7.4 million discounts directly in Tariic's shareholder's equity. Consequently, the share of Company to the above discount of AED 7.0 million was recognised directly in shareholders' equity.

No impairment losses on goodwill were recognised during 2008 (2007: nil).

The recoverable amounts for the subsidiaries have been calculated based on their value in use.

Value in use for each subsidiary was determined by discounting the future cash flows expected to be generated from the continuing operations of subsidiaries.

The key assumptions used by the Group may change as economic and market conditions change. The Group estimates that reasonably possible changes in those assumptions are not expected to cause the recoverable amount of either subsidiary to decline below the carrying amount.

6. Allocation of the net profit for the year

	For the year ended 31 December 2008				For the year ended 31December 2007			
	Shareholder AED'000	**Policyholder AED'000**	**Minority interest AED'000**	**Total AED'000**	Shareholder AED'000	Policyholder AED'000	Minority interest AED'000	Total AED'000
Net underwriting income								
Net underwriting income of the Company	**-**	**39,440**	**-**	**39,440**	-	20,161	-	20,161
Net underwriting income from subsidiaries	**124,925**	**-**	**-**	**124,925**	98,323	-	-	98,323
Total net underwriting income	**124,925**	**39,440**	**-**	**164,365**	98,323	20,161	-	118,484
Income								
Wakalah fees (note 7)	**33,125**	**(33,125)**	**-**	**-**	20,503	(20,503)	-	-
Mudarib fees (note 7)	**114**	**(114)**	**-**	**-**	83	(83)	-	-
(Loss) / income from investment (note 8)	**(23,575)**	**761**	**-**	**(22,814)**	153,981	551	-	154,532
Other income	**10,411**	**1,526**	**-**	**11,937**	9,633	-	-	9,633
	145,000	**8,488**	**-**	**153,488**	282,523	126	-	282,649
Expenses								
General and administrative expenses	**(124,046)**	**-**	**-**	**(124,046)**	(102,761)	-	-	(102,761)
Finance expenses	**(26,606)**	**-**	**-**	**(26,606)**	(19,084)	-	-	(19,084)
Provision for charitable donations	**(3,282)**	**-**	**-**	**(3,282)**	(2,703)	-	-	(2,703)
Net (loss) / profit before tax for the year	**(8,934)**	**8,488**	**-**	**(1,281)**	157,975	126	-	158,101
Tax - current	**(3,646)**	**-**	**-**	**(3,646)**	(3,334)	-	-	(3,334)
Net (loss) / profit after tax for the year	**(12,580)**	**8,488**	**-**	**(4,092)**	154,641	126	-	154,767
Share of minority interest	**(2,221)**	**-**	**2,221**	**-**	(1,738)	-	1,738	-
Chargeback of funding provided	**4,401**	**(4,401)**	**-**	**-**	126	(126)	-	-
Net (loss) / profit for the year	**(10,400)**	**4,087**	**2,221**	**(4,092)**	153,029	-	1,738	154,767

7. Wakalah and Mudarib fees

The shareholders manage the insurance operations of the Group for the policyholders and charge 15% *(2007: 15%)* of gross written contributions of non life insurance business (excluding subsidiaries) as fees. For life insurance business, fees are being charged at 15% of mortality costs.

The shareholders of the Group also manage the policyholders' investment funds and charge 15% *(2007: 15%)* of investment income earned by the policyholders as Mudarib fees.

8. (Loss)/income from investments

	For the year ended 31 December 2008		
	Shareholders	**Policyholders**	**Total**
	AED'000	**AED'000**	**AED'000**
Income from investments in Mudaraba and IPO Fund	**10,289**	**-**	**10,289**
Realised loss on sale of investments	**(1,933)**	**-**	**(1,933)**
Unrealised loss on investments	**(40,473)**	**-**	**(40,473)**
Unrealised loss on investments properties	**(472)**	**(278)**	**(750)**
Realised gain on investments properties	**6,711**	**-**	**6,711**
Income from bank deposits and loans and Receivables	**5,393**	**689**	**6,082**
Dividend income	**2,247**	**-**	**2,247**
Share of loss from associates	**(5,933)**	**-**	**(5,933)**
Rental income (note 13)	**596**	**350**	**946**
	(23,575)	**761**	**(22,814)**

	For the year ended 31 December 2007		
	Shareholders	Policyholders	Total
	AED'000	AED'000	AED'000
Income from investments in Mudaraba and IPO Fund	91,967	-	91,967
Realised gain on sale of investments	7,452	-	7,452
Unrealised loss on investments	34,762	-	34,762
Unrealised gain on investments properties	15,062	126	15,188
Income from bank deposits and loans and Receivables	6,909	208	7,117
Dividend income	1,052	-	1,052
Share of profit in associates	(3,933)	-	(3,933)
Rental income	710	217	927
	153,981	551	154,532

Investment income of the Group has been allocated to the shareholders in the ratio of capital to total assets of the Group as at latest audited balance sheet date. The remaining income has been allocated to the policyholders.

In July 2005, the Company increased its share capital from AED 50 million to AED 1 billion. Investment income generated by investing these funds have not been allocated to the policyholders as these funds pertain to shareholders and are not generated from the operations of the Group.

Notes (*continued*)

9. General & administrative expenses

These include:

	2008	2007
	AED'000	AED'000
Staff costs	**56,083**	47,246
Rent, rates and service charges	**5,889**	6,878
Utilities	**992**	893
Travelling and conveyance	**2,549**	2,933
Printing and stationery	**2,404**	2,538
Licenses and other government expenses	**1,905**	1,314
Depreciation	**5,549**	5,554
Amortisation	**1,313**	3,724
Marketing and advertising	**2,291**	4,038
Audit, legal and professional	**6,450**	4,266

10. Provision for charitable donations

In accordance with Islamic Shari'a requirements, certain profits earned by the subsidiaries have been reduced from income and transferred to a separate provision which are utilised for charitable donations. Movement in the provision recognised in the balance sheet are as follows:

	2008	2007
	AED'000	AED'000
Balance at 1 January	**19,514**	16,811
Provided during the year	**3,282**	2,703
Balance at 31 December (included in Other payables and accruals) (note 24)	**22,796**	19,514

11. Property and equipment

	Land AED'000	Building AED'000	Furniture & fixtures AED'000	Computer AED'000	Motor Vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost							
At 1 January 2007	8,681	38,253	14,837	6,874	3,493	1,605	73,743
Additions	-	2,634	3,967	1,879	588	432	9,500
Disposals	-	(653)	(173)	(57)	(177)	-	(1,060)
Revaluations	329	942	410	529	57	58	2,325
Revaluation	-	5,532	-	-	-	-	5,532
Others	8,691	(10,229)	421	2,221	-	(1,534)	(430)
At 31 December 2007	17,701	36,479	19,462	11,446	3,961	561	89,610
At 1 January 2008	17,701	36,479	19,462	11,446	3,961	561	89,610
Revaluations	(638)	(669)	(318)	(225)	(22)	(32)	(1,904)
Additions	-	508	2,212	1,153	874	411	5,158
Disposals	-	-	(522)	(5)	(448)	-	(975)
Transfer				(1,453)			(1,453)
At 31 December 2008	17,063	36,318	20,834	10,916	4,365	940	90,436
Depreciation							
At 1 January 2007	-	3,026	9,181	4,654	2,446	968	20,275
Revaluations	-	90	193	166	31	58	538
Charge for the year	-	966	2,831	1,108	712	-	5,617
On disposals	-	-	(31)	(8)	(177)	-	(216)
Adjustment in revaluations	-	(633)	-	-	-	-	(633)
others	-	-	(3,206)	1,643	62	(465)	(1,966)
At 31 December 2007	-	3,449	8,968	7,563	3,074	561	23,615
At 1 January 2008	-	3,449	8,968	7,563	3,074	561	23,615
Revaluations	-	(106)	(291)	(198)	(21)	(31)	(647)
Charge for the year	-	962	3,045	1,317	227	-	5,551
On disposals	-	-	(8)	-	(229)	-	(237)
Foreign exchange translation							
Transfer	-	-	-	(965)	-	-	(965)
At 31 December 2008	-	4,305	11,714	7,717	3,051	530	27,317
Net book value							
At 31 December 2008	**17,063**	**32,013**	**9,120**	**3,199**	**1,314**	**410**	**63,119**
At 31 December 2007	17,701	33,030	10,494	3,883	887	-	65,995

Land and building of subsidiaries is being revalued on an open market basis by a professional firm of independent property valuers and the Group's share of the surplus of AED 0.86 million *(2007: AED* 4.9 *million)* has been credited to revaluation reserve.

12. Intangible assets

	2008	2007
	AED'000	AED'000
Cost		
Balance at 1 January	**18,615**	12,253
Additions during the year	**2,269**	3,050
Others	**1,390**	3,312
Balance at 31 December	**22,274**	18,615
Accumulated amortisation		
Balance at 1 January	**10,074**	1,260
Charge for the year	**1,313**	3,630
Others	**913**	5,184
Balance at 31 December	**12,300**	10,074
Net book value at 31 December	**9,974**	8,541

The intangible assets represent computer software licences acquired by the Group and are capitalized on the basis of the costs incurred to acquire and bring into use the specific software.

13. Investment properties

Investment properties comprise of land and building acquired by the Group in UAE in 1997, and lands in Kingdom of Saudi Arabia (KSA) acquired in 2006. The value of investment properties, as determined by independent valuer as at 31 December 2008, is AED 16.22 million (2007: 16.97 million) and AED 70.10 million (AED 73.12 million) for properties in UAE and KSA respectively.

The rental income of UAE properties amount to AED 0.9 million in 2008 (2007: AED 0.8 million), there is no direct related expenses in respect of investment property.

The investments made in KSA are jointly owned by the Group with Saudi Arabia local partners. The lands are owned by the Company through a nominee agreement for and on behalf of the Group.

General and administrative expenses includes AED 0.196 million (2007: AED 0.13 million) incurred in respect of repairs and maintenance of investment property.

14. Investment in associates

The principal associates of the Group, all of which have 31 December as their year end are as follows:

Associates	Ownership 2008	Ownership 2007	Country of incorporation	31 December 2008 AED'000	31 December 2007 AED'000
GEPAR	**20.00%**	19.06%	Tunisia	**249**	92
Saudi IAIC Cooperative Insurance Co. (Saudi IAIC)	**30.00%**	30.00%	KSA	**23,203**	29,472
ITE	**49.00%**	46.71%	Tunisia	**-**	43
Lloyds Tunisia		23.77%	Tunisia	-	-
Best Invest	**47.00%**	23.83%	Tunisia	**1,238**	-
SCI Al Amane	**30.00%**	-	Senegal	**2**	-
SCI Al Baraka	**30.00%**	-	Senegal	**2**	-
				24,694	29,607

Movements during the year	**2008 AED'000**	2007 AED'000
Balance at 1 January	29,607	33,539
Purchases	1,067	-
Investments reclassified as available-for-sale	-	-
Disposal of associates	-	-
Share of (losses)/profit in associates	(5,933)	(3,932)
Change in reserve	(47)	-
Balance at 31 December	24,694	29,607

Summarised financial information of the major associates is as under:

	2008 AED'000	2007 AED'000
Total assets	**245**	-
Total liabilities **(19)**	-	
Revenue	**74**	-
Deficit	**(7)**	-

15. Statutory deposits

Company	Country of incorporation	**2008**	2007
		AED'000	AED'000
IAIC	UAE	**10,000**	7,500
Tariic	Bahrain	**195**	195
Egypt Saudi Insurance Home	Egypt	**18,270**	15,298
Salama Senegal (Sosar)	Senegal	**5,668**	4,678
Salama Alegría	Alegría	**-**	-
		-------	--------
		34,133	27,671
		=====	=====

These statutory deposits are required to be placed by all insurance companies operating in respective countries mentioned above with the designated National Banks. Statutory deposits, which depend on the nature of insurance activities, cannot be withdrawn except with the prior approval of the regulatory authorities.

16. Investments

	31 December 2008			31 December 2007		
	Domestic Investment AED'000	**International Investment AED'000**	**Total AED'000**	**Domestic Investment AED'000**	**International Investment AED'000**	**Total AED'000**
Financial Asset through Profit or Loss						
Mutual fund and externally managed portfolio - unquoted	-	36,547	**36,547**	36,592	115,663	**152,255**
Shares and Securities - quoted	1,449	854	**2,303**	160,990	9,527	**170,517**
	1,449	**37,401**	**38,850**	**197,582**	**125,190**	**322,772**
Available-for-sale investments						
Mutual fund and externally managed portfolio – unquoted	15,215	310,028	**325,243**	-	279,978	**279,978**
Shares and Securities - quoted	5,983	21,762	**27,745**	-	1,367	**1,367**
Others						
	21,198	**331,790**	**352,988**		281,345	281,345
Loans & Receivables						
Deposits	-	351,991	**351,991**		261,980	**261,980**
Held To Maturity						
SUKUK & Govt. Bonds	-	**41,772**	**41,772**		48,678	**48,678**
Total Investments	**22,647**	**762,954**	**785,601**	**197,582**	**717,193**	**914,775**

16. Investments (continued)

Reclassification of investments

Pursuant to the amendments to IAS 39 and IFRS 7 (described in note 3(c)), the Group reclassified certain trading assets to available-for-sale investment securities. The Group identified financial assets eligible under the amendments, for which it had changed its intent such that it no longer held these financial assets for the purpose of generating profit in the short term. For trading assets identified for reclassification that would have met the definition of loans and receivables, the Group had the intention and ability to hold them for foreseeable future or until maturity. For other trading assets identified for reclassification, the Group in the context of the deterioration of the financial markets during the third quarter of 2008 constituted rare circumstances that permit reclassification out of the trading category.

The Group, as a result of the adoption of recent amendments from IASB as explained in note 3 to these consolidated financial statements, has reclassified certain investments amounting to AED 200 million, being the fair value as at 1 July 2008, from the fair value through profit or loss - held for trading classification to the available-for-sale investments category. The fair value for such investments as at 31 December 2008 included in available-for-sale investments amounts to AED 94.57 million. As required by the said amendments, the effects of such a reclassification are set out below

	Profit or loss AED '000	**Equity AED '000**
Period before reclassification		
Unrealized fair value gain recognized in income statements	18,747	-
	====	==
Period after reclassification		
Unrealized fair value gain recognized on available-for-sale revaluation reserve	-	21,231
	==	==
Impairment loss	59,812	-
	====	==

The estimated cash flows the Group expect to recover from reclassified investments as at the date of reclassification is amounting to AED 64.2 million.

17. Deposits with insurance and reinsurance companies

	2008 AED'000	2007 AED'000
Premium deposits	**109,873**	103,629
Claim deposits	**203,982**	203,159
	---	---
	313,855	306,788
	======	======

Premium deposits with insurance companies primarily pertain to Best Re amounting to AED AED 106 million *(2007: AED 100 million)*. Claim deposits also pertain mainly to Best Re amounting to AED 202 million *(2007: AED 201 million)*. As per the relevant local regulations, the ceding company retains a portion of unearned contributions and outstanding claims after net payments to Best Re.

18. Contributions and insurance balance receivables

	2008	2007
	AED'000	AED'000
Insurance contributions receivables	**426,674**	338,033
Due from insurance and reinsurance companies	**208,346**	122,237
	635,020	460,270
Provision for impairment losses		
Insurance contributions receivables	**(3,281)**	(2,204)
Due from insurance and reinsurance companies	**(4,154)**	(2,859)
	627,585	455,207

Aging of contributions and insurance balance receivables

	31 December 2008	
	Gross amount (AED'000)	**Impairment (AED'000)**
Not Past Due	**362,804**	-
Past Due over 0 to 60 days	**100,288**	-
Past Due over 60 to 120 days	**48,183**	-
Past Due over 120 to 180 days	**23,751**	-
Past Due over 180 days to 1 year	**34,049**	-
Over 1 year	**65,946**	(7,436)
Total contributions and insurance balance receivables	**635,021**	(7,436)
Net contributions and insurance balance receivables	**627,585**	

19. Other assets and receivables

	2008	2007
	AED'000	AED'000
Receivable from RUSD Investment Bank, Inc.	**10,757**	264
Operating advances	**502**	-
Utility, security and other deposits	**1,137**	2,684
Due from employees	**11,630**	6,601
Other prepayments	**3,498**	2,917
Advance taxes paid	**451**	127
Income receivable on investments	**4,478**	9,719
Advance commission on for life insurance	**6,287**	-
Deferred commission	**3,148**	-
Subrogation	**504**	21,312
Others	**29,235**	19,725
	71,627	63,349

20. Cash and bank balances

	2008	2007
	AED'000	AED'000
Cash in hand	**116**	138
Cash at bank	**62,668**	26,447
Term deposits	**250,777**	136,360
Cash in IPO fund	**-**	-
	313,561	162,945

Cash and bank balances - by geographical distribution

	2008	2007
	AED'000	AED'000
Domestic	**56,467**	34,556
International	**257,094**	128,389
Total	**313,561**	162,945

21. Outstanding claims reserve

	2008	2007
	AED'000	AED'000
Reserve for outstanding claims	**488,682**	418,305
Reserve for incurred but not reported claims	**189,908**	99,664
	678,590	517,969
Less: Reinsurers' share of outstanding claims	**(98,642)**	(101,166)
	579,948	416,803

Movements in outstanding claims reserve

	2008			
	Gross	**Reinsurance**	**Adjustment**	**Net**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Balance at 1 January	**517,969**	**(101,166)**	**-**	**416,803**
Foreign exchange differences	**-**	**-**	**(5,476)**	**(5,476)**
Net movement during the year	**160,621**	**2,524**	**5,476**	**168,621**
Balance at 31 December	**678,590**	**(98,642)**	**-**	**579,948**

	2007			
	Gross	Reinsurance	Adjustment	Net
	AED'000	AED'000	AED'000	AED'000
Balance at 1 January	379,473	(67,315)	-	312,158
Foreign exchange differences	-	-	4,268	4,268
Net movement during the year	138,496	(33,851)	(4,268)	100,377
Balance at 31 December	517,969	(101,166)	-	416,803

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are reviewed annually.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

21. Outstanding claims reserve (continued)

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The method used by the Group takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries.

Assumptions and sensitivities to changes in key variables

The assumptions that have the greatest effect on the measurement of insurance contract provisions are the expected loss ratios for the most recent accident years for accident and liabilities. These are used for assessing the IBNR for the 2007 and 2008 accident years.

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of changes to that variable in the future may be required.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process. The Group believes that the liability for claims reported in the balance sheet is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

22. Unearned contributions reserve

Movements in unearned contributions reserve:

	2008			
	Gross	**Reinsurance**	**Adjustment**	**Net**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Balance at 1 January	**172,621**	**(48,772)**	**-**	**123,849**
Foreign exchange differences	**-**	**-**	**(1,893)**	**(1,893)**
Provision made during the year	**223,229**	**(47,121)**	**1,893**	**178,001**
Provision released during the year	**(172,621)**	**48,772**	**-**	**(123,849)**
Balance at 31 December	**223,229**	**(47,121)**	**-**	**176,108**

	2007			
	Gross	Reinsurance	Adjustment	Net
	AED'000	AED'000	AED'000	AED'000
Balance at 1 January	115,172	(20,822)	-	94,350
Foreign exchange differences	-	-	553	553
Provision made during the year	172,621	(48,772)	(553)	123,296
Provision released during the year	(115,172)	20,822	-	(94,350)
Balance at 31 December	172,621	(48,772)	-	123,849

23. Insurance balances payable

	2008	2007
	AED'000	AED'000
Insurance companies	**12,561**	14,606
Customers and others	**74,340**	76,751
Reinsurance companies	**63,550**	16,725
	150,451	108,082

24. Other payables and accruals

	2008	2007
	AED'000	AED'000
Payable to garages and brokers	**3,128**	2,334
Payable to RUSD Investment Bank	**-**	5,661
Provision for charitable donations (note 10)	**22,796**	19,514
Payable to suppliers	**-**	3,212
Staff related accruals	**3,434**	9,336
Post dated cheques	**1,114**	1,209
Accrued expenses	**393**	799
Other provisions	**13,713**	22,395
Taxes payable	**15,826**	13,369
Other payables	**54,021**	14,714
	114,425	92,543

25. Bank finance

	2008	2007
	AED'000	AED'000
Long-term portion	**164,507**	172,271
Short-term portion	**204,225**	5,871
	368,732	178,142

Above include loan of, Best Re, one of the Group's subsidiaries amounting to AED 154.85 million arranged by Merrill Lynch International. The loan has a repayment period of 20 years with an early redemption option after 10 years. The profit is payable at rate 8.75 % p.a. The profit is payable at each quarter end.

26. Related party transactions

The Group, in the normal course of business, collects contributions, settles claims and enters into other transactions with other businesses that fall within the definition of related parties contained in the International Accounting Standard 24. The 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	2007
	AED'000	AED'000
General and administrative expenses	**878**	4,314
Reinsurance on contributions	**3,749**	17,365
Reinsurance on claims	**1,519**	3,668
Commission	**-**	3,672
Purchase of investments	**1,263,411**	545,859
Sale of investments	**1,400,125**	414,335

Transactions and receivables relative to Bin Zayed Group are in respect of management of the Group's investment portfolio.

Amounts due from related parties	**2008**	2007
	AED'000	AED'000
Bin Zayed Group	**249,208**	41,636
IAIC Labuan	**5,961**	5,961
IAIC Bahrain	**23**	23
Other entities under common management with the Group	**854**	2,439
	256,046	50,059
Amounts due to related parties		
IAIC Bahrain-Current account	**1,788**	1,624
Bin Zayed Group	**-**	-
Other entities under common management with the Group	**2,758**	3,333
	4,546	4,957
Compensation of key management personnel		
Short term benefits	**7,327**	5,690
Employees end of service benefits	**1,378**	1,818
	8,705	7,508

27. Minority interest

	2008 AED'000	2007 AED'000
Balance at 1 January	**25,028**	41,179
Movement upon acquisition of minority interest in subsidiaries	**-**	(19,233)
Increase in capital through cash contribution	**1,648**	**-**
Dividends paid	**(714)**	(699)
Share in revaluation surplus of property and equipment	**5**	603
Share in foreign exchange translation reserve	**(1,347)**	1,442
Share in net change in fair value of available for sale investments	**(2,680)**	(2)
Minority's share of profit for the year	**2,221**	1,738
Balance at 31 December	**24,161**	25,028

28. Policyholders' fund

	2008 AED'000	2007 AED'000
Deficiency of policyholders' fund		
Balance at 1 January	**(12,390)**	(11,681)
Net surplus attributable to policyholders for the year	**8,488**	126
	(3,902)	(11,555)
Proposed profit distribution to policy holders of Family Takaful	**(4,087)**	-
	(7,989)	(11,555)
General		
Balance at 1 January	**(12,466)**	(11,681)
Loss for the year	**(1,209)**	(785)
	(13,675)	(12,466)
Life		
Balance at 1 January	**76**	-
Surplus in Family Takaful for the year	**9,697**	911
Proposed profit distribution to policyholder of Family Takaful	**(4,087)**	-
	5,686	911
Balance at 31 December	**(7,989)**	(11,555)

The shareholders of the Company have financed the policyholders' deficit in accordance with the Company's policy.

29. Share capital

	2008	2007
	AED'000	AED'000
Authorised, issued and fully paid up capital		
1,100,000,000 shares of AED 1 each (*2007: 1,100,000,000 shares of AED 1*)	**1,100,000**	1,100,000

30. Statutory reserve

In accordance with Article 255 of the UAE Federal Commercial Companies Law, a minimum of 10% of the net profit of the Company is required to be allocated every year to a statutory reserve, which is not distributable. Such allocations may be ceased when the statutory reserve equals half of the paid up share capital of the Company.

31. Revaluation reserve

The Group's share of surplus on revaluation amounting to AED 0.864 million *(2007: AED 4.9 million)* on land and building during the year has been credited to a non distributable reserve (refer note 2 and 11).

32. Treasury shares

During the year, the Company bought back 11,476,161 *(2007: 8,221,454)* shares amounting to AED 11.2 million *(2007: AED 24.8 million)*. The buy back of shares was approved by the Board of Directors on 21st October 2008.

The treasury shares are debited as a separate category of shareholders' equity at cost.

33. Earnings per share

The calculation of earnings per share for the year ended 31 December 2008 is based on loss of AED 10.4 million *(profit of 2007: AED 153 million)* divided by the weighted average number of shares of 1,091 million *(2007: 1,094 million)* outstanding during the year after taking into account the treasury shares held. There is no dilutive effect on basic EPS.

34. Taxation on foreign operations

In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide reconciliation between the accounting and taxable profits together with details with effective tax rates.

35. Contingent liabilities and capital commitments

	2008	2007
	AED'000	AED'000
Letters of guarantee	13,675	9,525

Statutory deposits of AED 10.01million (2007: AED 10 million) are held as lien by the bank against the above guarantees.

35. Contingent liabilities and capital commitments (continued)

The Group, in common with other insurance companies, is involved as a defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

There are no significant capital commitments at 31 December 2008 (2007: Nil).

36. Operating lease commitments

The Group's non-cancellable operating lease commitments are payable as follows:

	2008	2007
	AED'000	AED'000
Less than one year	**2,258**	1,648
Between one to five years	**-**	-
	--------	--------
	2,258	1,648
	=====	====

The Group also leases out its investment property under operating leases. Non-cancellable operating lease rentals are receivable as follows:

	2008	2007
	AED'000	AED'000
Less than one year	**157**	148
Between one to five years	**-**	-
	-------	-----
	157	148
	====	===

37. Segmental information

By Business

(for the year ended 31 December 2008)

	Fire AED'000	Accident AED'000	Engineering AED'000	Marine AED'000	Motor AED'000	Health AED'000	Transport AED'000	Life AED'000	Others AED'000	Total AED'000
Gross written contributions	507,095	154,415	126,905	126,003	261,869	52,799	286	71,349	26,077	1,326,798
Net contributions earned	402,846	129,579	89,422	109,651	246,573	20,769	72	30,854	20,143	1,049,909
Commissions received on ceded reinsurance	15,763	3,714	6,870	3,913	236	565	91	10,681	239	42,072
	418,609	133,293	96,292	113,564	246,809	21,334	163	41,535	20,382	1,091,981
Net claims incurred	(318,559)	(35,827)	(29,295)	(48,803)	(154,894)	(7,580)	(1)	(15,533)	(9,079)	(619,571)
Commissions paid and other costs	(141,215)	(45,981)	(36,727)	(35,911)	(33,521)	(5,676)	(59)	(3,144)	(5,811)	(308,045)
Net underwriting income	**(41,165)**	**51,485**	**30,270**	**28,850**	**58,394**	**8,078**	**103**	**22,858**	**5,492**	**164,365**

Segment reporting by business in respect of assets and liabilities are not available for disclosure purposes.

37. Segmental information (continued)

By Business
(for the year ended 31 December 2007)

	Fire AED'000	Accident AED'000	Engineering AED'000	Marine AED'000	Motor AED'000	Health AED'000	Transport AED'000	Life AED'000	Others AED'000	Total AED'000
Gross written contributions	381,211	106,252	102,349	91,496	199,149	22,815	753	20,142	9,055	933,222
Net contributions earned	296,532	83,625	72,176	76,486	185,879	10,452	79	10,051	5,659	740,939
Commissions received on ceded reinsurance	11,706	2,749	4,834	2,308	252	434	257	-	482	23,022
	308,238	86,374	77,010	78,794	186,131	10,886	336	10,051	6,141	763,961
Net claims incurred	(142,793)	(38,635)	(39,035)	(46,985)	(148,250)	(4,724)	599	(1,546)	(2,137)	(423,506)
Commissions paid and other costs	(106,567)	(31,556)	(27,841)	(25,056)	(17,938)	(3,751)	(56)	(627)	(8,579)	(221,971)
Net underwriting income	**58,878**	**16,183**	**10,134**	**6,753**	**19,943**	**2,411**	**879**	**7,878**	**(4,575)**	**118,484**

Segment reporting by business in respect of assets and liabilities are not available for disclosure purposes.

37. Segmental information (continued)

By Geography

(for the year ended 31 December 2008)

	Africa AED'000	**Far East AED'000**	**Middle East AED'000**	**Turkey and Central Asia AED'000**	**Total AED'000**
Gross written contributions	283,388	647,563	301,147	94,700	1,326,798
Net contributions earned	244,470	517,858	199,145	88,436	1,049,909
Commissions received on ceded reinsurance	9,303	17,690	15,079	-	42,072
	253,773	535,548	214,224	88,436	1,091,981
Net claims incurred	(117,793)	(330,348)	(150,300)	(21,130)	(619,571)
Commissions paid and other cost	(56,420)	(186,245)	(40,568)	(24,812)	(308,045)
Net underwriting income	**79,560**	**18,955**	**23,356**	**42,494**	**164,365**

By Geography

(for the year ended 31 December 2007)

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written contributions	237,291	405,365	192,323	98,243	933,222
Net contributions earned	193,405	316,391	143,446	87,697	740,939
Commissions received on ceded reinsurance	7,258	12,028	3,736	-	23,022
	200,663	328,419	147,182	87,697	763,961
Net claims incurred	(95,413)	(177,328)	(99,308)	(51,457)	(423,506)
Commissions paid and other cost	(46,052)	(121,909)	(29,654)	(24,356)	(221,971)
Net underwriting income	**59,198**	**29,182**	**18,220**	**11,884**	**118,484**

Segment reporting by geography in respect of assets and liabilities are not available for disclosure purposes.

38. Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform with the presentation adopted in these consolidated financial statements.