Grant Thornton

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

DUBAI - UNITED ARAB EMIRATES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2009

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

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for the year ended December 31, 2009

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Directors' Report

I am pleased to welcome you to this Ordinary General Assembly of Dubai National Insurance & Reinsurance PSC, on behalf of the Board of Directors, and to present its eighteenth annual report and accounts for the financial year 2009.

The time has come for insurance companies to become true risk carriers that adopt enterprise risk management and embrace corporate governance standards. Governance is crucial in the insurance industry which is fundamentally concerned with management of risk, and is closely watched by global and national regulators. Evolving standards of IFRS and corporate governance regulations enforced by the Securities and Commodities Authority place new demands on insurers for increased control and transparency. Insurance Companies also have to improve the quality of their risk management, underwriting discipline and pricing.

Your company faced a number of unique challenges in 2009. Clients expect their insurance company to provide services whatever the economic environment, with enhanced value from their insurance protections. Your company has fully lived up to trust reposed by our valuable clients, met their expectations with an increased offering of products designed to secure their assets, as well as the demands and the liabilities that may face individual and corporate insurance buyers.

Companies that continuously explore growth opportunities prosper; despite any prevailing crisis, downward market or economic conditions. Your company has been consistently delivering year on year revenue growth of over 40% and the year 2009 continued the momentum achieved in earlier years. The gross written premium during the year 2009 was AED 191.58 Million as compared to AED 135.58 Million in year 2008; an increase of 41% over the past year. The underwriting income for the year 2009 also improved by 17% to AED 34.21 Million from AED 29.20 Million in year 2008.

The net profit for the year 2009 before appropriation amounted to AED 45.31 Million. The Board is pleased to recommend to the shareholders a 25% cash dividend -AED 25 Million and bonus shares @ 10% - AED 10 Million for the year 2009.

In 2010, our focus will remain on profitability, diversification into a good spread between products, choosing the right partners, geographical expansion and strengthening of controls and procedures. In this way, your company is committed to continue to add value to its shareholders.

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

The following recommendations are placed for your approval & ratification:

1) To approve the Board of Director's and Auditor's Report for 2009.

2) To ratify the company's financial statements for the year ended 31st December 2009.

3) To approve the Board of Director's proposal relating to appropriation of profit and retained earnings.

4) To release the Chairman, the Members of the Board and the auditors from any liabilities related to the performance of their duties during the year under view.

5) To appoint statutory auditors for the year 2010.

KHALAF AHMED AL HABTOOR
Chairman of the Board of Directors

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

Public Accountants
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Report on the Financial Statements

We have audited the accompanying financial statements of DUBAI NATIONAL INSURANCE & REINSURANCE (P.S.C.) (the "Company"), which comprise the statement of financial position as at December 31, 2009, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's Responsibility

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

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

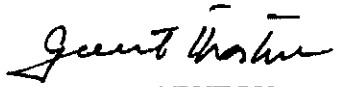
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Report on Other Legal and Regulatory Requirements

We also confirm that we have obtained all the information and explanations necessary for our audit, proper books of account have been kept by the Company and the contents of the Directors' report which relate to the financial statements are in agreement with the Company's books of account. To the best of our knowledge and belief, no violations of "UAE Federal Law No 8 of 1984 (as amended)" and of the "UAE Federal Law No. 6 of 2007" or of the Memorandum and Articles of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.



GRANT THORNTON

Farouk Mohamed
Insurance Registration No. 54
Dubai, United Arab Emirates
4 March 2010

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

Statement of financial position as at December 31, 2009

	Notes	2009 AED'000	2008 AED'000
Assets			
Non-current			
Statutory deposits	3	13,194	17,975
Property and equipment	4	2,481	2,033
Investment property	5	92,535	94,382
		108,210	114,390
Current			
Financial assets	6	109,683	87,195
Insurance receivables	7	50,327	33,966
Other receivables	8	1,328	2,062
Due from related parties	9	13,646	21,374
Reinsurer's share of outstanding claims	10	308,088	46,446
Cash in hand and at banks including deposits	24	55,979	37,947
		539,051	228,990
Total assets		647,261	343,380
Equity			
Share capital	11	100,000	100,000
Legal reserve	12	50,000	50,000
Obligatory reserve	13	25,000	25,000
General reserve	14	220,000	220,000
Retained earnings		46,835	43,539
Cumulative changes in reserve on available for sale investments	6	(261,916)	(284,338)
Total equity		179,919	154,201
Liabilities			
Non-current			
End of service benefits	15	1,288	1,254
Current			
Outstanding claims	10	338,665	72,280
Technical provisions	16	45,774	44,382
Insurance payables	17	65,295	53,390
Other payables	18	16,232	17,777
Due to related parties	9	88	96
		466,054	187,925
Total liabilities		467,342	189,179
Total equity and liabilities		647,261	343,380

These financial statements were approved by the Board of Directors on 4th March 2010 and signed on their behalf by:

Sultan Ahmed Al Habtoor
Vice Chairman

Khalef Ahmed Al Habtoor
Chairman

The notes on pages 10 to 38 form an integral part of these financial statements.

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

Income Statement
for the year ended December 31, 2009

	Notes	2009 AED'000	2008 AED'000
Gross premium		191,584	135,582
Re-insurance share		(130,439)	(80,887)
Net premium		61,145	54,695
Net transfer to unearned premium reserve		(801)	(6,547)
Net premium earned		60,344	48,148
Commission earned		19,907	9,555
Commission paid		(19,390)	(11,783)
Others		1,392	456
Gross underwriting income		62,253	46,376
Gross claims paid		69,193	33,259
Reinsurance share		(46,488)	(15,272)
Net claims paid		22,705	17,987
Provision for outstanding claims		266,976	3,812
Reinsurance share of outstanding claims		(261,642)	(4,626)
Net claims incurred		28,039	17,173
Net underwriting income		34,214	29,203
Income from investments	19	7,862	5,194
Income from investment properties	20	16,725	18,786
Other (loss)/income	21	(841)	932
Gross income		57,960	54,115
General and administrative expenses	22	(12,645)	(10,586)
Net profit for the year		45,315	43,529
Earnings per share:			
Basic and diluted	23	0.45	0.44

The notes on pages 10 to 38 form an integral part of these financial statements.

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

Statement of comprehensive income
for the year ended December 31, 2009

	Notes	2009 AED'000	2008 AED'000
Net profit for the year		**45,315**	**43,529**
Other comprehensive income			
Net unrealized profit/(losses) on investments		22,422	(287,921)
Adjustment arising on translation of operating assets and liabilities of overseas branch		(3)	-
Total comprehensive income/(loss) for the year		67,734	(244,392)

The notes on pages 10 to 38 form an integral part of these financial statements.

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

Statement of changes in shareholders' equity
for the year ended December 31, 2009

	Share capital AED'000	Legal reserve AED'000	Obligatory reserve AED'000	General reserve AED'000	Fair value reserve on available for sale investments AED'000	Retained earnings AED'000	Total AED'000
Balance as at January 1, 2008	100,000	50,000	25,000	220,000	3,583	36,936	435,519
Dividend paid	-	-	-	-	-	(35,000)	(35,000)
Directors' remuneration	-	-	-	-	-	(1,926)	(1,926)
Transactions with owners	-	-	-	-	-	(36,926)	(36,926)
Profit for the year	-	-	-	-	-	43,529	43,529
Other comprehensive income:							
Net unrealized losses on investments	-	-	-	-	(287,921)	-	(287,921)
Balance as at December 31, 2008	100,000	50,000	25,000	220,000	(284,338)	43,539	154,201
Dividend paid	-	-	-	-	-	(40,000)	(40,000)
Directors' remuneration	-	-	-	-	-	(2,016)	(2,016)
Transactions with owners	-	-	-	-	-	(42,016)	(42,016)
Profit for the year	-	-	-	-	-	45,315	45,315
Other comprehensive income:							
Net unrealized profit on investments	-	-	-	-	22,422	-	22,422
Adjustment arising on translation of operating assets and liabilities of overseas branch	-	-	-	-	-	(3)	(3)
Balance as at December 31, 2009	100,000	50,000	25,000	220,000	(261,916)	46,835	179,919

The notes on pages 10 to 38 form an integral part of these financial statements.

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

Statement of cash flows
for the year ended December 31, 2009

	Notes	2009 AED'000	2008 AED'000
Operating activities			
Net profit for the year		45,315	43,529
Adjustments for:			
Depreciation on property and equipment	4	629	530
Depreciation on investment property	5	1,847	1,195
Loss on disposal of property and equipment	21	841	105
Net transfer to employees' end-of-service benefits		34	313
Net transfer to technical provisions		1,392	11,509
Provision for doubtful debts reversed		-	(1,037)
Provision for outstanding claims		266,385	3,853
Reinsurer share of outstanding claims		(261,642)	(4,627)
Dividend and interest on long-term deposits		(7,862)	(10,294)
Fair value adjustment on financial assets		-	10,100
Directors remuneration		(2,016)	(1,926)
Income from investment property - net	20	(18,572)	(19,981)
Operating profit before changes in working capital		26,351	33,269
Changes in working capital			
Insurance receivables		(16,362)	(19,010)
Other receivables		734	(978)
Insurance payables		11,905	15,774
Other payables		(1,545)	(4,392)
Due from/(to) related parties-net		7,720	(6,910)
Net cash provided by operating activities		28,803	17,753
Investing activities			
Net investments		(69)	(24,920)
Purchase of property and equipment	4	(1,968)	(2,045)
Proceeds from disposals of property and equipment		51	1,638
(Increase)/decrease in statutory deposit		4,781	(2,500)
Dividend and interest on long-term deposits income		7,862	10,294
Income from investment property - net	20	18,572	19,981
Net cash provided by investing activities		29,229	2,448
Financing activities			
Dividends paid		(40,000)	(35,000)
Net cash used in financing activities		(40,000)	(35,000)
Net increase/(decrease) in cash and cash equivalents		18,032	(14,799)
Cash and cash equivalents at 1 January		37,947	52,746
Cash and cash equivalents at 31 December	24	55,979	37,947

The notes on pages 10 to 38 form an integral part of these financial statements.

Notes to the financial statements
for the year ended December 31, 2009

1 Legal status and activities

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

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the UAE Federal Law No. 6 of 2007 relating to insurance companies and insurance agents.

With effect from July 1, 2009, the registered address of the Company has been changed from Office no. 104-107, Aghaadir Building, Al Mankool Road, Bur Dubai, P.O Box 1806, Dubai, U.A.E to Floor 7 & 9, Dubai National Insurance Building, Port Saeed, P.O Box 1806, Dubai, U A E.

The total number of staff employed by the Company as at 31 December 2009 was 88 (2008: 73).

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

2 Significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretations Committee and applicable requirements of UAE Federal Law No. 8 of 1984 (as amended) relating to commercial companies, and of UAE Federal Law No. 6 of 2007 (as amended) concerning insurance companies and agents.

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

2 Significant accounting policies (continued.)

b) Adoption of new and revised standards

Standards and interpretations effective and adopted in the current year

New standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee (IFRIC) respectively, effective for the current year are as follows:

1. IFRS 2 - Amendment - Share-based Payment: Vesting Conditions and Cancellations
2. IFRS 8 - Operating Segments
3. IAS 1 (Revised) - Presentation of Financial Statements
4. IAS 18 - Revenue: Consequential amendments
5. IAS 21 - The Effects of Changes in Foreign Exchange Rates: Consequential amendments
6. IAS 23 (Revised) - Borrowing Costs
7. IAS 32 and IAS 1 - Financial Instruments: Presentation and Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation.
8. IAS 36 - Impairment of Assets: Consequential amendments
9. IFRIC 15 - Agreements for the Construction of Real Estates

The adoption of these Standards and Interpretations has not led to any changes in the Company's accounting policies. Only effect had been on the presentation of financial statements.

Standards and interpretations not yet effective

The following Standards have been published and are mandatory for the company's accounting periods beginning on or after January 01, 2010 or later periods:

IFRS 3 (Revised) Business Combinations

The revisions to IFRS 3 (AC 140) Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

2 Significant accounting policies (continued.)

The effective date of the standard is for years beginning on or after July 01, 2009. The company expects to adopt the standard for the first time in the 2010 annual financial statements. It is unlikely that the standard will have a material impact on the company's annual financial statements.

IAS 27 (Amended) Consolidated and Separate Financial Statements

The revisions require:

- Losses of the subsidiary to be allocated to non-controlling interest, even if they result in the non-controlling interest being a debit balance.
- Changes in level of control without loss of control to be accounted for as equity transactions, without any gain or loss being recognised or any remeasurement of goodwill.
- When there is a change in the level of control without losing control, the group is prohibited from making reclassification adjustments.
- When control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is remeasured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

The effective date of the amendment is for years beginning on or after July 01, 2009. The company expects to adopt the amendment for the first time in the 2010 annual financial statements. It is unlikely that the amendment will have a material impact on the company's annual financial statements.

IAS 7 Statement of Cash Flows: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

Cash flows arising from changes in level of control, where control is not lost, are equity transactions and are therefore accounted for as cash flows from financing transactions.

The effective date of the amendment is for years beginning on or after July 01, 2009. The company expects to adopt the amendment for the first time in the 2010 annual financial statements. It is unlikely that the amendment will have a material impact on the company's annual financial statements.

IAS 28 Investments in Associates: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

When an investment in an associate is reduced but significant influence is retained, a proportionate share of other comprehensive income must be reclassified to profit or loss.

The effective date of the amendment is for years beginning on or after July 01, 2009. The company expects to adopt the amendment for the first time in the 2010 annual financial statements. It is unlikely that the amendment will have a material impact on the company's annual financial statements.

2 Significant accounting policies (continued.)

IAS 31 Interests in Joint Ventures: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

When an interest in a joint venture is reduced but joint control is retained, a proportionate share of other comprehensive income must be reclassified to profit or loss.

The effective date of the amendment is for years beginning on or after July 01, 2009. The company expects to adopt the amendment for the first time in the 2010 annual financial statements. It is unlikely that the amendment will have a material impact on the company's annual financial statements.

IAS 12 Income Taxes – consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

The amendment is as a result of amendments to IAS 27 (AC 132) Consolidate and Separate Financial Statements. The amendment refers to situations where a subsidiary, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and profit or loss to the extent that it exceeds goodwill), only if it results from information in the measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period.

The effective date of the amendment is for years beginning on or after July 01, 2009. The company expects to adopt the amendment for the first time in the 2010 annual financial statements. It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

The effective date of the amendment is for years beginning on or after July 01, 2009. The company expects to adopt the amendment for the first time in the 2010 annual financial statements. It is unlikely that the amendment will have a material impact on the company's annual financial statements.

2 Significant accounting policies (continued.)

IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after July 01, 2009. It is unlikely that the amendment will have a material impact on the company's annual financial statements. The company expects to adopt the amendment for the first time in the 2010 annual financial statements.

Interpretations

Two interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) have been published and are mandatory for the company's accounting periods beginning on or after January 01, 2010 or later periods. These are *IFRIC 17 - Distribution of Non-cash Assets to Owners and IFRIC 18 - Transfers of Assets from Customers.*

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

c) Accounting convention

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

d) Property and equipment

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

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

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

2 Significant accounting policies (continued.)

e) Investment property

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

No depreciation is charged on freehold land.

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

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

f) Revenue recognition

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

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

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

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

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

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

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

2 Significant accounting policies (continued.)

g) Claims

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

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

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

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

h) Provision for IBNR

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

i) Liability adequacy test

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

j) Unearned Premium Reserve

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

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

2 Significant accounting policies (continued.)

k) Reinsurance premium

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

l) Reinsurance assets

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

m) Financial assets

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

Recognition

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

Financial assets at fair value through profit and loss

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

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

Available-for-sale investment

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

2 Significant accounting policies (continued.)

m) Financial assets (continued.)

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

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

Fair value measurement

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

Gains and losses on subsequent measurement

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

De-recognition

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

Impairment and uncollectibility of financial assets

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

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

2 Significant accounting policies (continued.)

n) Receivables and payables related to insurance contracts

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

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

o) End of service benefits

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

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

p) Foreign currency transactions

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

q) Impairment

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

2 Significant accounting policies (continued.)

r) Operating leases

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

s) Cash and cash equivalents

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

t) Critical accounting estimates and judgements in applying accounting policy

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

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

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of insurance receivables.

u) Segment reporting

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

3 Statutory deposit

	2009 AED'000	2008 AED'000
i) Deposit in a local bank in Dubai, UAE held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 41 of Federal Law No. (9) of 1984 (as amended) relating to insurance companies and brokers. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.	10,000	10,000
(ii) Restricted fixed deposit in favour of the Ministry of Economy & Commerce, Government of Lebanon, as per law no. 31/91 of Insurance companies held under lien by bank against guarantees issued deposit in LL 1,310 million (2008: LL 3,273 million)	3,194	7,975
	13,194	17,975

4 Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Land and buildings AED'000	Total AED'000
Cost					
At 1 January 2009	1,963	547	787	101	3,398
Additions	533	-	1,435	-	1,968
Disposals	(1,179)	-	-	-	(1,179)
At 31 December 2009	1,317	547	2,222	101	4,187
Accumulated Depreciation					
At 1 January 2009	453	301	611	-	1,365
Charge for the year	320	139	170	-	629
Disposals	(288)	-	-	-	(288)
At 31 December 2009	485	440	781	-	1,706
Net book value At 31 December 2009	832	107	1,441	101	2,481
At 31 December 2008	1,510	246	176	101	2,033

4 Property and equipment (continued.)

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment	Land and buildings AED'000	Total AED'000
Cost					
At 1 January 2008	1,450	426	1,575	2,199	5,650
Additions	1,712	211	122	-	2,045
Disposals	(1,199)	(90)	(910)	(2,098)	(4,297)
At 31 December 2008	1,963	547	787	101	3,398
Accumulated Depreciation					
At 1 January 2008	1,240	232	1,455	462	3,389
Charge for the year	296	158	66	10	530
Disposals	(1,083)	(89)	(910)	(472)	(2,554)
At 31 December 2008	453	301	611	-	1,365
Net book value					
At 31 December 2008	1,510	246	176	101	2,033
At 31 December 2007	210	194	120	1,737	2,261

5 Investment property

	2009 AED'000	2008 AED'000
Cost		
At 1 January	105,721	105,720
Accumulated Depreciation		
At 1 January	11,339	10,143
Charge for the year (note 20)	1,847	1,195
At 31 December	13,186	11,338
Net book value		
At 31 December	92,535	94,382

On December 31, 2009, Asteco, independent professional valuers estimated the open market value of the investment properties at AED 187 million (2008: AED 237 million) as per their valuation report.

6 Financial assets

	2009 AED'000	2008 AED'000
Available for sale		
Quoted securities and funds, at cost	361,057	358,991
Cumulative changes in fair value transferred to equity	(261,916)	(284,338)
	99,141	74,653
Unquoted securities	18,437	18,437
Less: provision for diminution in value	(7,895)	(7,895)
	109,683	85,195
Financial assets at fair value through profit and loss		
Equity Profit Participation Note *	-	12,100
Less: Fair value adjustment	-	(10,100)
	109,683	87,195

Movement in cost of quoted securities and funds:

Opening balance	358,991	346,171
Purchased during the year	2,066	12,820
Closing balance	361,057	358,991

* This represents an equity participation note of EMAAR Properties purchased by the company which matured during the period and was converted into 1 million shares of EMAAR Properties at market value of AED 2.07 each.

7 Insurance receivables

Due from policy holders	25,168	23,688
Due from insurance companies	3,757	2,416
Due from reinsurance companies	1,031	1,074
Due from insurance brokers	22,729	9,146
	52,685	36,324
Provision for doubtful debts	(2,358)	(2,358)
	50,327	33,966

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

8 Other receivables

	2009 AED'000	2008 AED'000
Prepayments	644	419
Accrued interest	552	1,435
Other receivables	132	208
	1,328	2,062

9 Related party balances

Details of related parties' balances are as follows:

Amounts due from related parties

Diamond Lease	8,286	8,731
Al Habtoor Engineering Enterprises	1,157	8,139
Al Habtoor Motors	2,868	3,334
Other Habtoor Group companies	1,335	1,170
	13,646	21,374

Amounts due to a related parties

Al Habtoor Group of companies	88	96
	88	96

Related party transactions

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

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

Premiums written	50,473	54,128
Claims paid	8,125	14,393
Commission paid	1,291	576
Rent paid	-	246
Agency repairs	613	148
Purchases of vehicles	-	174
Key management remuneration	1,313	1,169

10 Outstanding claims

	2009 AED'000	2008 AED'000
Opening balance	72,280	68,427
Provision for the year**	335,577	37,111
Claims paid during the year	(69,192)	(33,258)
Balance at 31 December	338,665	72,280

** It includes AED 217 million provision towards claim made by Al Habtoor Motors, a related party.

Assumptions and sensitivities

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

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

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

Claims development

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

Underwriting year	2005 & prior AED'000	2006 AED'000	2007 AED'000	2008 AED'000	2009 AED'000	Total AED'000
Estimate of cumulative claims						
At the end of underwriting year	560,564	33,733	22,362	36,927	298,773	-
One year later	363,267	39,307	30,182	60,714	-	-
Two years later	365,111	38,085	41,006	-	-	-
Three years later	363,336	37,562	-	-	-	-
Four years later	359,157	-	-	-	-	-
Estimate of cumulative claims	359,157	37,562	41,006	60,714	298,773	**797,212**
Cumulative payments to date	313,668	33,489	25,051	38,844	47,495	**458,547**
Provision for outstanding claims 31 December 2009	45,489	4,073	15,955	21,870	251,278	**338,665**
Incurred But Not Reported claims 31 December 2009	-	-	-	-	24,473	**24,473**
Gross outstanding claims as on 31 December 2009	45,489	4,073	15,955	21,870	275,751	**363,138**
Reinsurer's share of outstanding claims 31December 2009	30,401	2,187	12,975	18,358	244,167	**308,088**
Net outstanding claims as on 31 December 2009	15,088	1,886	2,980	3,512	31,584	**55,050**
Provision for outstanding claims 31 December 2008	43,307	4,859	6,708	17,406	-	72,280
Reinsurer's share of outstanding claims 31December 2008	26,625	2,985	3,138	13,698	-	46,446

11 Share capital

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

	2009 No of shares	2009 AED'000	2008 No of shares	2008 AED'000
Balance at 31 December	100,000,000	100,000	100,000,000	100,0000

12 Legal reserve

In accordance with the Company's Articles of Association and Articles 192 of the UAE Federal Law No. 8 of 1984 (as amended), a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance on the legal reserve equals 50% of the Company's paid-up share capital. No transfer to legal reserve has been made during the year as it has reached the minimum of 50% of Company's paid-up share capital.

13 Obligatory reserve

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

14 General reserve

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

15 End of service benefits

	2009 AED'000	2008 AED'000
Balance at 1 January	1,254	941
Charge for the year	450	522
Payments during the year	(416)	(209)
Balance at 31 December	1,288	1,254

16 Technical provisions

Unearned premium reserve	21,301	20,500
Provision for IBNR and other reserves	24,473	23,882
	45,774	44,382

Movement during the year for:

Unearned premium reserve

Balance at 1 January	20,500	13,953
Added during the year	21,301	20,500
Released during the year	(20,500)	(13,953)
Balance at 31 December	21,301	20,500

Movement during the year for:

Provision for IBNR and other reserves

Balance at 1 January	23,882	18,920
Added during the year	24,473	4,962
Released during the year	(23,882)	-
Balance at 31 December	24,473	23,882

17 Insurance payables

	2009 AED'000	2008 AED'000
Trade creditors	4,382	1,324
Insurance companies	2,735	2,030
Re-insurance companies	47,256	43,117
Brokers payable	4,498	2,224
Premium reserve withheld	6,424	4,695
	65,295	53,390

18 Other payables

Accrued expenses	472	486
Provision for staff benefits	1,582	1,156
Directors' remuneration *	2,016	1,926
Other payables	12,162	14,209
	16,232	17,777

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

19 Income from investments

	2009 AED'000	2008 AED'000
Dividend income	5,045	7,052
Interest income – net	2,817	3,242
Fair value adjustment on investment	-	(10,100)
Reversal of excess prior year provision	-	5,000
	7,862	5,194

20 Income from investment property

Gross rental income	21,963	24,563
Maintenance expenses	(3,391)	(4,582)
Depreciation (note 5)	(1,847)	(1,195)
	16,725	18,786

21 Other income

	2009 AED'000	2008 AED'000
(Loss) / profit on disposal of property and equipment	(841)	(105)
Doubtful debts recovered	-	1,037
	(841)	932

22 General and administrative expenses

Personnel costs	9,100	6,705
Other operational expenses	3,545	3,881
	12,645	10,586

23 Earning per share

Basic and diluted

Net profit for the year AED '000'	45,315	43,529
Weighted average number of shares outstanding (note 11)	100,000,000	100,000,000
Earning per share (AED)	0.45	0.44

24 Cash and cash equivalents

Cash in hand and at banks*	55,979	37,947

* Cash at banks includes approximately AED 3.4 million (2008: AED 4 million) in converted Lebanese Lira (LL).

25 Segment reporting

a) Primary Segment Information

	2009 AED'000			2008 AED'000		
	General business	Life & Health	Total	General business	Life & Health	Total
Gross premiums written	126,536	65,048	**191,584**	70,229	65,353	**135,582**
Net Underwriting income	26,400	7,814	**34,214**	19,280	9,923	**29,203**

b) Secondary segment information

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

26 Proposed dividend and bonus issue

The Board has proposed cash dividend of 25% of paid up capital, AED 25 million (AED 0.25 per share) for the year and 10% bonus shares on paid up capital.

During the previous year, the Board proposed a cash dividend of AED 40 million (AED 0.40 per share) representing 40% of the paid up capital as at 31 December 2008. This was approved at the Annual General Meeting held on March 26, 2009.

27 Commitments and contingencies

	2009 AED'000	2008 AED'000
a) Financial Guarantee	3,194	7,975

Guarantees of AED 3.2 million (2008: AED 7.9 million) issued by banks are secured by way of deposits held.

b) Al Habtoor Motors has commenced legal proceedings against the company in respect of the claim of AED 217 million for the damages of vehicles as a result of the hailstorm that took place on 25th, 26th March 2009. The company has adequate reinsurance contracts to cover its insurance position. Though there is a legal dispute with some reinsurers who have commenced declaratory proceedings seeking decision on scope of cover under their reinsurance contracts. In view of the management, company's recovery rights are protected.

28 Operating lease obligations

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

Operating lease rentals receivable are:

	2009 AED'000	2008 AED'000
Due within one year	16,780	11,554
Due within two to five years	13,874	1,168

Leases as a lessee

At the statement of financial position date, there were no major outstanding commitments under non-cancellable operating leases.

29 Capital commitments

At the statement of financial position date, there were no major capital commitments (2008: nil).

30 Insurance risk management

Risk management objectives and policies for mitigating insurance risk

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

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

Underwriting strategy

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

Managing reinsurance risk

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

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

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

Terms and conditions of insurance contracts

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

30 Insurance risk management (continued.)

Sensitivity of Underwriting Profits and Losses

The contribution from Insurance operations to the profit of the Company amounts to AED 34.214 million for the year ended December 31, 2009 (2008: AED 29.203 million) The Company does not foresee any major impact from insurance operations on account of the following:

- The overall risk retention level of the Company in the year ended December 31, 2009 is 32% (2008: 40%). The liabilities of the Company are adequately covered by excess of loss reinsurance programs to safeguard against major financial impact.
- The Company's commissions earned from reinsurance placements are consistent and remain a comfortable source of income.
- Because of the low risk retention in all classes of business, the Company does not foresee any serious financial impact in the insurance net profits due to changes in the loss ratios.

31 Financial instruments

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

Categories of financial instruments
Year- 2009

Assets	Loans and Receivables	Financial instruments	Insurance Contracts	Non-financial Instruments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Financial instruments					
Statutory deposits	13,194	-	-		13,194
Re-insurer's share of outstanding claims	-	-	308,088	-	308,088
Cash in hand and at banks including deposits	-	55,979	-	-	55,979
Financial assets		109,683	-	-	109,683
Insurance receivables	50,327	-	-	-	50,327
Other receivables	1,328	-	-	-	1,328
Due from related parties	13,646			-	13,646
Non financial instruments					
Property and equipment	-	-	-	2,481	2,481
Investment property	-	-	-	92,535	92,535
Total assets	78,495	165,662	308,088	95,016	647,261

31 Financial instruments (continued.)

Categories of financial instruments (continued)
Year- 2009

Liabilities	At cost	Insurance Contracts	Total AED'000
End of service benefits	1,288	-	1,288
Outstanding claims provision	-	338,665	338,665
Technical provisions	-	45,774	45,774
Insurance and other payables	79,510	-	79,510
Due to related parties	88	-	88
Total liabilities	80,886	384,439	465,325

Year- 2008

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

31 Financial instruments (continued.)

Categories of financial instruments (continued)
Year- 2008

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

Capital management

The Company's objective when managing capital risks are:

1) To comply with the Insurance Capital Requirements required by the UAE Federal Law No. 6 of 2007 concerning Insurance Companies and Agents. The minimum regulatory capital for Insurance Companies which must be maintained at all times throughout the year as per UAE Law is AED 50,000,000/-

2) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to the shareholders.

3) To provide an adequate rate of return to shareholders by pricing products and services commensurately with the level of risk.

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

There were no changes made in the objectives, policies or processes during the years 31 December 2009 and 31 December 2008.

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

	2009 AED'000	2008 AED'000
Total equity held	179,919	154,201
Minimum Regulatory Capital	50,000	50,000

31 Financial instruments (continued.)

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

Credit risk

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

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

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

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

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

	Neither Past due nor impaired	Past due but not impaired			Total	Past due and impaired	Total
		<120 days	120-180 days	>180 days			
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2009	33,651	4,611	7,766	6,657	52,685	(2,358)	50,327
31 December 2008	27,835	3,716	1,279	3,494	36,324	(2,358)	33,966

Liquidity risk

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

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

31 Financial instruments (continued.)

Year -2009

	Less than 30 days	30-90 days	90-180 days	After 180 days	Total AED'000
Statutory deposits	-	-	-	13,194	13,194
Financial assets	-	-	-	109,683	109,683
Insurance receivables	7,631	26,019	12,378	4,299	50,327
Other receivables	-	256	296	132	684
Due from related parties	1,056	10,340	1,737	513	13,646
Cash in hand and at banks including deposits:					
Interest bearing	7,783	45,720	-	2,464	55,967
Non-interest bearing	12	-	-	-	12
	16,482	82,335	14,411	130,285	243,513
Liabilities					
Insurance and other payables	2,490	24,978	9,068	29,542	66,078
Due to related parties	-	88	-	-	88
	2,490	25,066	9.068	29542	66,166

31 Financial instruments (continued.)

Year -2008

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

Interest rate risk

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

Exchange risk

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

31 Financial instruments (continued.)

Market risk

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

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

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

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

Sensitivity of equity prices

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 10% higher/lower:

- net profit for the year ended 31 December 2009 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of during the year; and
- equity reserve for available-for-sale investments would increase/decrease by AED 9.915 Million (2008: increase/decrease by AED 7.465 Million) as a result of the changes in fair value of available-for-sale shares.

The Company's sensitivity to equity prices has not changed significantly from the prior year.

Method and assumptions for sensitivity analysis

- As at the statement of financial position date if the equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on equity has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

32 Comparatives

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