

**ARABIAN SCANDINAVIAN INSURANCE
COMPANY P.L.C.**

**Financial statements and
independent auditor's report
for the year ended 31 December 2011**

ARABIAN SCANDINAVIAN INSURANCE COMPANY P.L.C.

	Pages
Contents	
Independent auditor's report	1 - 2
Statement of financial position	3
Statement of income	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 46

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Arabian Scandinavian Insurance Company P.L.C.
Dubai
United Arab Emirates

Report on the Financial Statements

We have audited the accompanying financial statements of **Arabian Scandinavian Insurance Company P.L.C., Dubai, United Arab Emirates**, which comprise the statement of financial position as at 31 December 2011, and the statement of income, 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 information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgment, 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.

Cont'd...

INDEPENDENT AUDITOR'S REPORT (continued)*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Arabian Scandinavian Insurance Company P.L.C. - Dubai, United Arab Emirates**, as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account. The information included in the Directors' report relating to the financial statements is in agreement with the books. We have obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended), and the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations or the Company's Articles of Association which might have materially affected the financial position of the Company or its financial performance.

Deloitte & Touche (M.E.)



Samir Madbak
Registration No. 386
9 February 2012

**Statement of financial position
at 31 December 2011**

	Notes	2011 AED	2010 AED
ASSETS			
Non-current assets			
Property and equipment	5	352,086	448,717
Investment properties	6	198,349,443	187,247,355
Financial investments designated at fair value through other comprehensive income (FVTOCI)	7	16,045,327	30,011,533
Statutory deposits	8	10,000,000	10,000,000
Total non-current assets		224,746,856	227,707,605
Current assets			
Re-insurance contract assets	9	12,434,232	11,739,222
Insurance and other receivables	10	19,431,036	14,814,618
Due from related parties	11	2,159,474	3,303,637
Financial investments at FVTPL	7	33,253,931	37,178,532
Bank balances and cash	12	48,738,746	25,132,671
Total current assets		116,017,419	92,168,680
Total assets		340,764,275	319,876,285
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	140,000,000	140,000,000
Statutory reserve	14	45,172,928	43,124,006
General reserve	15	37,282,728	35,233,806
Cumulative change in fair value		(3,978,978)	(7,473,571)
Retained earnings		52,392,148	42,565,642
Total equity		270,868,826	253,449,883
Non-current liabilities			
Provision for employees' end of service indemnity	16	1,585,943	1,501,771
Current liabilities			
Insurance contract liabilities	9	38,076,267	34,356,750
Insurance and other payables	17	30,220,586	30,532,656
Due to related parties	11	12,653	35,225
Total current liabilities		68,309,506	64,924,631
Total liabilities		69,895,449	66,426,402
Total equity and liabilities		340,764,275	319,876,285

Director



Managing Director



The accompanying notes form an integral part of these financial statements.

**Statement of income
for the year ended 31 December 2011**

	Notes	2011 AED	2010 AED
Insurance premium revenue	18	55,168,874	52,841,136
Insurance premium ceded to re-insurers	18	(23,011,084)	(21,954,814)
Net insurance premium revenue	18	32,157,790	30,886,322
Gross claims incurred	9	(30,517,299)	(24,266,241)
Insurance claims recovered from re-insurers	9	12,192,772	9,201,213
Net claims incurred	9	(18,324,527)	(15,065,028)
Gross commission earned		6,520,865	5,205,732
Less: commission incurred		(5,045,877)	(4,426,568)
Net commission earned		1,474,988	779,164
Underwriting profit		15,308,251	16,600,458
General and administrative expenses relating to underwriting activities		(13,197,518)	(11,837,938)
Net underwriting profit		2,110,733	4,762,520
Investment income/(loss)	19	18,267,587	(820,582)
Other income		110,899	412,867
Profit for the year	20	20,489,219	4,354,805
Basic earnings per share	21	0.15	0.03

The accompanying notes form an integral part of these financial statements.

**Statement of comprehensive income
for the year ended 31 December 2011**

	2011 AED	2010 AED
Profit for the year	20,489,219	4,354,805
Other comprehensive loss		
Net fair value loss on investments designated at FVTOCI	(2,805,884)	(3,520,770)
(Loss)/gain on sale of investments designated at FVTOCI	(264,392)	3,969,180
Board of Directors' remuneration paid	-	(700,000)
Other comprehensive loss for the year	(3,070,276)	(251,590)
Total comprehensive income for the year	17,418,943	4,103,215

The accompanying notes form an integral part of these financial statements.

**Statement of changes in equity
for the year ended 31 December 2011**

	Share capital AED	Statutory reserve AED	General reserve AED	Cumulative change in fair value AED	Retained earnings AED	Total AED
Balance at 1 January 2010	140,000,000	42,688,525	34,798,325	(13,763,857)	59,623,675	263,346,668
Adoption of IFRS 9	-	-	-	(18,300,000)	18,300,000	-
Balance at 1 January 2010 - restated	140,000,000	42,688,525	34,798,325	(32,063,857)	77,923,675	263,346,668
Profit for the year	-	-	-	-	4,354,805	4,354,805
Other comprehensive loss for the year	-	-	-	(3,520,770)	3,269,180	(251,590)
Total comprehensive income for the year	-	-	-	(3,520,770)	7,623,985	4,103,215
Transfer to retained earnings on sale of FVTOCI	-	-	-	28,111,056	(28,111,056)	-
Transfer to statutory reserve (Note 14)	-	435,481	-	-	(435,481)	-
Transfer to general reserve (Note 15)	-	-	435,481	-	(435,481)	-
Dividend paid (Note 28)	-	-	-	-	(14,000,000)	(14,000,000)
Balance at 31 December 2010	140,000,000	43,124,006	35,233,806	(7,473,571)	42,565,642	253,449,883
Profit for the year	-	-	-	-	20,489,219	20,489,219
Other comprehensive loss for the year	-	-	-	(2,805,884)	(264,392)	(3,070,276)
Total comprehensive income for the year	-	-	-	(2,805,884)	20,224,827	17,418,943
Transfer to retained earnings on sale of FVTOCI	-	-	-	6,300,477	(6,300,477)	-
Transfer to statutory reserve (Note 14)	-	2,048,922	-	-	(2,048,922)	-
Transfer to general reserve (Note 15)	-	-	2,048,922	-	(2,048,922)	-
Balance at 31 December 2011	140,000,000	45,172,928	37,282,728	(3,978,978)	52,392,148	270,868,826

The accompanying notes form an integral part of these financial statements.

**Statement of cash flows
for the year ended 31 December 2011**

	2011 AED	2010 AED
Cash flows from operating activities		
Profit for the year	20,489,219	4,354,805
Adjustments for:		
Depreciation of property and equipment	151,415	176,188
Provision for employees' end of service indemnity	172,711	172,481
Allowance for doubtful debts	188,120	-
Bad debts written off	5,990	-
Gain on sale of property and equipment	(1,700)	(65,839)
Fair value (gain)/loss on investment properties	(5,500,000)	17,829,737
Unrealised loss on financial investments at FVTPL	4,069,517	1,315,739
Realised gain on sale of financial investments at FVTPL	(1,892,498)	(2,087,985)
Interest on fixed deposits	(1,034,286)	(313,918)
Other investment income	(13,910,320)	(15,922,991)
Operating profit before changes in working capital	2,738,168	5,458,217
(Increase)/decrease in re-insurance contract assets	(695,010)	4,870,985
Increase in insurance and other receivables	(4,572,004)	(1,374,038)
Increase/(decrease) in insurance contract liabilities	3,719,517	(7,807,068)
Decrease in due from related parties	1,144,163	4,427,813
Decrease in insurance and other payables	(312,070)	(6,590,662)
(Decrease)/increase in due to related parties	(22,572)	23,800
Net cash generated from/(used in) operations	2,000,192	(990,953)
Employees' end of service indemnity paid	(88,539)	(40,651)
Net cash generated from/(used in) operating activities	1,911,653	(1,031,604)
Cash flows from investing activities		
Purchase of property and equipment	(54,784)	(409,720)
Proceeds from sale of property and equipment	1,700	145,000
Purchase of investment properties	(5,602,088)	(2,007,876)
Increase in fixed deposits with banks under lien	(77,965)	(2,996,068)
Increase in fixed deposits with maturity over 3 months	(23,000,000)	(14,000,000)
Purchase of financial investments at FVTPL	(62,442,958)	(118,519,767)
Purchase of financial investments at FVTOCI	-	(6,913,357)
Proceeds from disposal of financial investments at FVTOCI	10,895,930	29,544,224
Proceeds from disposal of financial investments at FVTPL	64,190,540	103,729,997
Investment property income	13,018,852	14,808,842
Interest on fixed deposits received	795,762	313,918
Dividends received	891,468	1,114,149
Net cash (used in)/generated from investing activities	(1,383,543)	4,809,342
Cash flows from financing activities		
Board of Directors' remuneration paid	-	(700,000)
Dividends paid	-	(14,000,000)
Cash used in financing activities	-	(14,700,000)
Net increase/(decrease) in cash and cash equivalents	528,110	(10,922,262)
Cash and cash equivalents at the beginning of the year	7,136,603	18,058,865
Cash and cash equivalents at the end of the year (Note 22)	7,664,713	7,136,603

The accompanying notes form an integral part of these financial statements.

**Notes to the financial statements
for the year ended 31 December 2011**

1. General information

Arabian Scandinavian Insurance Company P.L.C. - Dubai (the "Company") is a public shareholding company and was registered in 1992 under U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended) relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E under registration number 6. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

The principal activity of the Company is the writing of all classes of general insurance business and life assurance and till date the Company has written general insurance business only. The Company operates through its Dubai and Abu Dhabi offices.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised International Financial Reporting Standards (IFRSs) adopted with no material effect on the financial statements

The following new and revised IFRSs have been adopted in these financial statements. The adoption of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 24 *Related Party Disclosures* modify the definition of a related party and simplify disclosures for government-related entities.
- Amendments to IAS 32 *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability.
- Amendments to IFRS 1 relating to *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*.
- Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9 (effective from 1 January 2015 and has been early adopted with no impact as the Company has adopted IFRS 9 in 2010).
- Improvements to IFRSs issued in 2010 – Amendments to: IFRS 1; IFRS 3 (2008); IFRS 7; IAS 1; IAS 27 (2008); IAS34; IFRIC 13.
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*. The amendments correct an unintended consequence of IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular equity instruments issued under such arrangements are measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued are recognized in profit or loss.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

**2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet
effective and not early adopted**

The Company has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 7 <i>Disclosures Transfers of Financial Assets</i> increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.	1 July 2011
IFRS 10 <i>Consolidated Financial Statements</i>* uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly IAS 27 <i>Separate Financial Statements</i>* and IAS 28 <i>Investments in Associates and Joint Ventures</i>* have been amended for the issuance of IFRS 10.	1 January 2013
IFRS 11 <i>Joint Arrangements</i>* establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 <i>Investments in Associates and Joint Ventures</i> has been amended for the issuance of IFRS 11.	1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>* combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure Standard.	1 January 2013
IFRS 13 <i>Fair Value Measurement</i> issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.	1 January 2013

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

**2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet
effective and not early adopted (continued)**

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 – <i>Presentation of Other Comprehensive Income</i>. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	1 July 2012
Amendments to IAS 12 <i>Income Taxes</i> provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 <i>Investment Property</i> by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale.	1 January 2012
Amendments to IAS 19 <i>Employee Benefits</i> eliminate the “corridor approach” and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.	1 January 2013
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> enhancing disclosures about offsetting of financial assets and liabilities	1 January 2013
Amendments to IFRS 1 <i>Removal of Fixed Dates for First-Time Adopter</i>	1 July 2011
Amendments to IAS 32 <i>Financial Instruments: Presentation</i> relating to application guidance on the offsetting of financial assets and financial liabilities	1 January 2013

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements for the period beginning 1 January 2012 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

3. Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates (U.A.E.) Federal Law No. 8 of 1984 (as amended) and United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for investment properties and financial instruments that have been measured at revalued amounts, amortised cost or fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies adopted are set out below.

3.3 Insurance contracts

3.3.1 Definition

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk.

3.3.2 Recognition and measurement

Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

3.3.3 Short-term insurance contracts

The Company writes short-term insurance contracts only. These contracts are casualty and property insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short-duration life insurance contracts protect the Company's customers from the consequences of events that would affect on the ability of the customer or customer's dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policy holder. There are no maturity or surrender benefits.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.3 Short-term insurance contracts (continued)

For all these insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of reporting period is reported as the unearned premium liability.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

3.3.4 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

3.3.5 Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the end of the reporting period, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the reporting date and is estimated using the 1/8th method for all lines of business. The unearned premium calculated by the 1/8th method accounts for the estimated acquisition costs incurred by the Company to acquire policies and defers these over the life of the policy.

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the financial statements.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.6 Salvage and subrogation reimbursements

Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims.

3.3.7 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs. Any deficiency is immediately charged to profit or loss initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

3.3.8 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss.

3.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

3.4.1 Insurance contract income

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these financial statements (see note 3.3).

3.4.2 Commission income

Commission income is recognised when the reinsurance premium is ceded based on the terms and percentages agreed with the reinsurers.

3.4.3 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

3. Significant accounting policies (continued)

3.4 Revenue recognition (continued)

3.4.4 Dividend income

Dividend income from investments is recognised when the Shareholders' right to receive payment have been established.

3.4.5 Rental income

Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

3.5 Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

3.6 Employee benefits

3.6.1 Defined contribution plan

U.A.E. national employees of the Company are members of the Government managed retirement pension and social security benefit scheme established pursuant to U.A.E. Federal Labour Law No. 7 of 1999. The Company is required to contribute 12.5% of "contribution calculation salary" to the retirement benefit scheme to fund the benefits. These employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the profit or loss.

3.6.2 Provision for employees' end of service benefits

Provision for employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the end of the reporting period.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

3. Significant accounting policies (continued)

3.7 Property and equipment

Property and equipment are carried at cost less any accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The useful life considered in the calculation of depreciation of all the assets is 4 years.

3.8 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

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 gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.

3.9 Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

3. Significant accounting policies (continued)

3.9 Impairment of tangible assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.10 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.11 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets of the Company are classified into the following specified categories: cash and cash equivalents, financial assets 'at fair value through profit or loss' (FVTPL), at fair value through other comprehensive income (FVTOCI) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At 1 January 2010, the Company's available-for-sale' (AFS) financial assets have been reclassified after initial application of IFRS 9.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

3. Significant accounting policies (continued)

3.11 Financial assets (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for financial assets other than those financial assets classified as at FVTPL.

3.11.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.11.2 Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are mandatorily classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 26.2.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue.

3.11.3 Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

3. Significant accounting policies (continued)

3.11 Financial assets (continued)

3.11.3 Financial assets at fair value through other comprehensive income (FVTOCI) (continued)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

3.11.4 Loans and receivables

Insurance and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.11.5 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For certain categories of financial asset, such as insurance receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables, where the carrying amount is reduced through the use of an allowance account. When an insurance receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

3. Significant accounting policies (continued)

3.11.5 Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Subsequent to the adoption of IFRS 9 during the year, the Company's investments which are financial investments FVTOCI are not assessed for impairment indicators.

3.11.6 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

3.12 Financial liabilities and equity instruments issued by the Company

3.12.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.12.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3.12.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.12.4 Other financial liabilities

Insurance and other payables and due to related parties are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term payable when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

3. Significant accounting policies (continued)

3.12 Financial liabilities and equity instruments issued by the Company (continued)

3.12.5 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3.13 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3 to these financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates (see 4.2), that management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI or FVTPL. In judging whether investments in securities are as at FVTOCI or FVTPL, Management has considered the detailed criteria for determination of such classification as set out IFRS 9 Financial Instruments. Management is satisfied that the its investments in securities are appropriately classified.

4.1.2 Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty

4.2.1 The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the end of each reporting period and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.2.2 Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2011 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

4.2.3 Liability adequacy test

At end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

4.2.4 Valuation of unquoted equity instruments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using expected cash flows discounted at current rates for similar instruments or other valuation models.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

5. Property and equipment

	Furniture and fixtures AED	Motor vehicles AED	Total AED
<i>Cost</i>			
Balance at 31 December 2009	2,840,465	368,600	3,209,065
Additions	97,220	312,500	409,720
Disposal		(345,000)	(345,000)
Balance at 31 December 2010	2,937,685	336,100	3,273,785
Additions	48,284	6,500	54,784
Disposal	(3,399)	(11,300)	(14,699)
Balance at 31 December 2011	2,982,570	331,300	3,313,870
<i>Accumulated depreciation</i>			
Balance at 31 December 2009	2,714,677	200,042	2,914,719
Charge for the year	70,424	105,764	176,188
Eliminated on disposal	-	(265,839)	(265,839)
Balance at 31 December 2010	2,785,101	39,967	2,825,068
Charge for the year	68,900	82,515	151,415
Eliminated on disposal	(3,399)	(11,300)	(14,699)
Balance at 31 December 2011	2,850,602	111,182	2,961,784
<i>Carrying amount</i>			
Balance at 31 December 2011	131,968	220,118	352,086
Balance at 31 December 2010	152,584	296,133	448,717

At 31 December 2011, the cost of fully depreciated property and equipment that was still in use amounted to AED 2,661,990 (2010: AED 2,605,088).

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

6. Investment properties

	2011 AED	2010 AED
Balance, at the beginning of the year	187,247,355	203,069,216
Additions during the year	5,602,088	2,007,876
Increase/(decrease) in fair value during the year	5,500,000	(17,829,737)
Balance, at the end of the year	198,349,443	187,247,355

The fair value of the Company's investment properties at 31 December 2011 have been arrived at on the basis of a valuation carried out at that date by independent valuers that are not related to the Company. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The property under construction is stated at cost as fair value is not reliably determinable, but management expects that the fair value of the investment property to be reliably determinable when construction is completed.

Investment property amounting to AED 13,786,517 (2010: AED 15,231,544) is registered in the name of related parties in trust and for the benefit of the Company.

The property rental income earned by the Company from its investment properties, which are leased under operating leases on an annual basis and the direct operating expenses arising in the management of the investment properties are as follows:

	2011 AED	2010 AED
Rental income	14,150,312	17,611,935
Direct operating expenses	(1,131,460)	(2,803,093)
Income from investment properties (Note 19)	13,018,852	14,808,842

Investment properties are located in U.A.E.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

7. Financial investments

The Company's financial investments at the end of reporting date are detailed below.

	2011 AED	2010 AED
Financial investments designated at FVTOCI		
Quoted U.A.E. equity securities	12,776,577	26,742,783
Unquoted U.A.E. equity securities	3,268,750	3,268,750
	<u>16,045,327</u>	<u>30,011,533</u>
Financial investments at FVTPL		
Quoted U.A.E. equity securities	<u>33,253,931</u>	<u>37,178,532</u>

The movement in financial investments are as follows:

	Fair value through other comprehensive income		Fair value through profit or loss	
	2011 AED	2010 AED	2011 AED	2010 AED
Fair value, at the beginning of the year	30,011,533	-	37,178,532	21,616,516
Reclassification following adoption of IFRS 9	-	52,193,990	-	-
Purchased during the year	-	6,913,357	62,442,958	118,519,767
Disposals during the year	(11,160,322)	(25,575,044)	(62,298,042)	(101,642,012)
Change in fair value	<u>(2,805,884)</u>	<u>(3,520,770)</u>	<u>(4,069,517)</u>	<u>(1,315,739)</u>
Fair value, at the end of the year	<u>16,045,327</u>	<u>30,011,533</u>	<u>33,253,931</u>	<u>37,178,532</u>

8. Statutory deposits

Statutory deposit represents fixed deposits under lien against the guarantees issued in favor of Insurance Authority of U.A.E. in accordance with Article 42 of United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

9. Insurance contract liabilities and re-insurance contract assets

	2011 AED	2010 AED
Gross		
Insurance contract liabilities:		
Claims reported unsettled	10,641,528	8,243,493
Claims incurred but not reported	3,600,000	3,600,000
Unearned premiums	23,834,739	22,513,257
Total insurance contract liabilities, gross	38,076,267	34,356,750
Recoverable from re-insurers		
Claims reported unsettled	3,913,994	2,949,149
Unearned premiums	8,520,238	8,790,073
Total re-insurers' share of insurance liabilities	12,434,232	11,739,222
Net		
Claims reported unsettled	6,727,534	5,294,344
Claims incurred but not reported	3,600,000	3,600,000
Unearned premiums	15,314,501	13,723,184
	25,642,035	22,617,528

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

9. Insurance contract liabilities and re-insurance contract assets (continued)

Movement in the insurance contract liabilities and reinsurance contract assets during the year were as follows:

	2011			2010		
	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
	AED	AED	AED	AED	AED	AED
Claims						
Notified claims	8,243,493	(2,949,149)	5,294,344	16,123,761	(9,044,537)	7,079,224
Incurred but not reported	3,600,000	-	3,600,000	3,600,000	-	3,600,000
Total at the beginning of the year	11,843,493	(2,949,149)	8,894,344	19,723,761	(9,044,537)	10,679,224
Claims settled in the year	(28,119,264)	11,227,927	(16,891,337)	(32,146,509)	15,296,601	(16,849,908)
Increase in liabilities	30,517,299	(12,192,772)	18,324,527	24,266,241	(9,201,213)	15,065,028
Total at the end of the year	14,241,528	(3,913,994)	10,327,534	11,843,493	(2,949,149)	8,894,344
Notified claims	10,641,528	(3,913,994)	6,727,534	8,243,493	(2,949,149)	5,294,344
Incurred but not reported	3,600,000	-	3,600,000	3,600,000	-	3,600,000
Total at the end of the year	14,241,528	(3,913,994)	10,327,534	11,843,493	(2,949,149)	8,894,344
Unearned premium						
Total at the beginning of the year	22,513,257	(8,790,073)	13,723,184	22,440,057	(7,565,670)	14,874,387
Increase in the year	21,834,739	(8,520,238)	13,314,501	20,513,257	(8,790,073)	11,723,184
Release in the year	(20,513,257)	8,790,073	(11,723,184)	(20,440,057)	7,565,670	(12,874,387)
Net increase during the year (see Note 18)	1,321,482	269,835	1,591,317	73,200	(1,224,403)	(1,151,203)
Total at the end of the year	23,834,739	(8,520,238)	15,314,501	22,513,257	(8,790,073)	13,723,184

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

10. Insurance and other receivables

	2011 AED	2010 AED
Receivables arising from insurance and reinsurance contracts:		
Due from policy holders	8,267,312	6,552,518
Due from insurance companies	2,275,438	2,889,859
Due from reinsurance companies	93,916	103,304
Allowance for doubtful debts	(1,257,824)	(1,069,704)
	9,378,842	8,475,977
Other receivables:		
Notes receivables – Post dated cheques	4,282,360	3,676,081
Prepayments and others	5,769,834	2,662,560
	10,052,194	6,338,641
	19,431,036	14,814,618

The average credit period on insurance receivable is 90 days. The insurance receivables outstanding between 180 days and 365 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience in addition to specific provision made on identified customers.

The Company has adopted a policy of dealing with credit worthy counter parties. Adequate credit assessment is made before accepting an insurance contract from any counter party. Of the due from insurance receivables at the end of the year AED 1,748,819 (2010: AED 535,047) is due from the Company's largest counter party.

Ageing of insurance receivables:

	2011 AED	2010 AED
Past due and impaired	1,257,824	1,069,704
Neither past due nor impaired	6,237,749	4,379,251
Past due but not impaired		
90 to 365 days	2,931,418	3,463,884
More than 365 days	209,675	632,842
	3,141,093	4,096,726
Total	10,636,666	9,545,681

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

10. Insurance and other receivables (continued)

Movement in the allowance for doubtful debts

	2011 AED	2010 AED
Balance, at the beginning of the year	1,069,704	1,298,146
Impairment loss recognised during the year	188,120	-
Written off	-	(968)
Amounts recovered during the year	-	(227,474)
Balance, at the end of the year	1,257,824	1,069,704

In determining the recoverability of an insurance receivable, the Company considers any change in the credit quality of the insurance receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

11. Related party transactions

At the reporting date, amounts due from/to related parties were as follows:

	2011 AED	2010 AED
Due from related parties:		
Al Kazim Real Estate, Dubai	900	-
Insurance Service Management, Dubai	-	202,362
Al Redah Insurance Brokers (LLC), Dubai	2,135,394	3,055,168
Other related parties	23,180	46,107
	2,159,474	3,303,637
Due to related parties:		
Al Kazim Real Estate, Dubai	-	6,451
Al Kazim Group, Dubai	2,536	18,641
Other related parties	10,117	10,133
	12,653	35,225

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

11. Related party transactions (continued)

Transactions:

During the year, the Company entered into the following transactions with related parties:

	2011 AED	2010 AED
Insurance policies written for Director's companies	440,605	590,497
Management expenses (net)	1,173,285	1,741,445
Premiums written through a related party broker	8,859,032	8,863,689
Commission paid	1,177,687	1,059,869
Claims paid	1,097,298	343,401

Transactions with related parties were carried out on terms agreed with the management.

Compensation of board of directors/ key management personnel

	2011 AED	2010 AED
Short-term benefits	1,477,999	1,666,445
Long-term benefits	75,000	75,000
Board of Directors' remuneration	-	700,000

12. Bank balances and cash

	2011 AED	2010 AED
Cash on hand	5,508	12,002
Bank balances:		
Current accounts	7,435,899	6,901,549
Call accounts	223,306	223,052
Fixed deposits	41,074,033	17,996,068
	48,738,746	25,132,671

Fixed deposits amounting to AED 4,074,033 (31 December 2010: AED 3,996,068) are under lien against the credit facility granted to the Company.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

12. Bank balances and cash (continued)

Bank balances and cash represents

	2011 AED	2010 AED
Within U.A.E.	48,567,249	24,961,429
Outside U.A.E.	171,497	171,242
	48,738,746	25,132,671

13. Share capital

	2011 AED	2010 AED
Issued and fully paid: 140 million ordinary shares of AED 1 each	140,000,000	140,000,000

14. Statutory reserve

In accordance with U.A.E. Federal Commercial Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

15. General reserve

In accordance with the Company's Articles of association, an amount equal to 10% of profit for the year is transferred to a general reserve. This reserve can be used for specific purposes to be decided upon by the Company's Shareholders based on the recommendations of the board of directors. Transfers to this reserve are required to be made until such time as it equals 50% of the Company's paid up capital.

16. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2011 AED	2010 AED
Balance, at the beginning of the year	1,501,771	1,369,941
Amounts charged during the year	172,711	172,481
Amounts paid during the year	(88,539)	(40,651)
	1,585,943	1,501,771
Balance, at the end of the year	1,585,943	1,501,771

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

17. Insurance and other payables

	2011 AED	2010 AED
Payables arising from insurance and reinsurance contracts:		
Trade payables	2,759,460	5,628,372
Due to insurance companies	4,350,892	4,293,680
Due to reinsurance companies	10,228,042	8,602,783
Premium reserve withheld	4,527,079	4,798,543
Other payables:		
Accrued expenses and others	8,355,113	7,209,278
	30,220,586	30,532,656

The average credit period is 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within credit time frame.

18. Net insurance premium revenue

	2011 AED	2010 AED
Gross premium written		
Gross premium written	56,490,356	52,914,336
Change in unearned premium (see Note 9)	(1,321,482)	(73,200)
	55,168,874	52,841,136
Reinsurance premium ceded		
Reinsurance premium ceded	(22,741,249)	(23,179,217)
Change in unearned premium (see Note 9)	(269,835)	1,224,403
	(23,011,084)	(21,954,814)
Net insurance premium revenue	32,157,790	30,886,322

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

19. Investment income/(loss)

	2011 AED	2010 AED
Profit on disposal of financial investments at FVTPL	1,892,498	2,087,985
Unrealised loss on financial investments at FVTPL	(4,069,517)	(1,315,739)
Interest on fixed deposit	1,034,286	313,918
Dividends from investments:		
Financial investments at FVTOCI	436,968	650,327
Financial investments at FVTPL	454,500	463,822
Fair value gain/(loss) on investment properties	5,500,000	(17,829,737)
Income from investment properties (see Note 6)	13,018,852	14,808,842
	18,267,587	(820,582)

20. Profit for the year

Profit for the year has been arrived at after charging the following expenses:

	2011 AED	2010 AED
Staff costs	9,510,123	8,663,277
Depreciation of property and equipment	151,415	176,188

21. Basic earnings per share

	2011	2010
Profit for the year (in AED)	20,489,219	4,354,805
Number of shares	140,000,000	140,000,000
Basic earnings per share (in AED)	0.15	0.03

Basic earnings per share is calculated by dividing the profit for the year by the number of shares outstanding as of the end of the reporting period.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

22. Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include cash on hand and in bank net of fixed deposits in banks with maturity over three months. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2011 AED	2010 AED
Bank balances and cash (see Note 12)	48,738,746	25,132,671
Fixed deposits with maturity over 3 months	(37,000,000)	(14,000,000)
Fixed deposits under lien	(4,074,033)	(3,996,068)
	7,664,713	7,136,603

23. Contingent liabilities

	2011 AED	2010 AED
Letters of guarantees	10,945,508	11,835,594

24. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

24. Insurance risk (continued)

The Company manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

24.1 Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property insurance contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 200,000 in any one policy. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

24.2 Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

24. Insurance risk (continued)

24.2 Sources of uncertainty in the estimation of future claim payments (continued)

The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of reporting period.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before re insurance) are analysed below by type of risk where the insured operates for current and prior year premiums earned.

Type of risk

	2011	2010
Motor	85%	84%
Non motor	44%	29%

24.3 Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the reporting date to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

24. Insurance risk (continued)

24.4 Concentration of Insurance risk

Substantially all of the Company's underwriting activities are carried out in the United Arab Emirates.

The insurance risk before and after reinsurance in relation to the motor and non-motor insurance risk accepted is summarised below:

	2011			2010		
	Type of risk			Type of risk		
	Motor	Non-motor	Total	Motor	Non-motor	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Gross	10,960,117	39,338,689	50,298,806	10,064,588	39,295,532	49,360,120
Net	2,278,500	1,447,150	3,725,650	2,361,300	1,508,100	3,869,400

24.5 Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company 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 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 agreements.

24.6 Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Company amounts to AED 2.1 million for the year ended 31 December 2011 (2010: AED 4.8 million). The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 60% (2010: 56%) and the same is mainly contributed by motor and medical class of business. However, in this class the risk is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company has gross commission earnings in 2011 of AED 6.5 million (2010: AED 5.2 million). These commissions arise primarily from the reinsurance placements and are a consistent and recurring source of income.

Because of low risk retention in 46% (2010: 36%) volume of business and limited exposure in high retention areas like motor, the Company is comfortable to maintain a net loss ratio in the region of 50% - 55% and does not foresee any serious financial impact in the insurance net profit.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

25. Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its operations. The Company manages its capital on a basis of its minimum regulatory capital position presented in the table below.
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In U.A.E., the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

The table below summarises the minimum required capital of the Company and the total capital held.

	2011 AED	2010 AED
Share capital held	140,000,000	140,000,000
Minimum regulatory capital	100,000,000	100,000,000

26. Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and financial liabilities are interest rate risk and equity price risk.

26.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial assets and equity instrument are disclosed in note 3 to the financial statements.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

26. Financial instruments (continued)

26.2 Categories of financial instruments

31 December 2011

Financial assets	Loans and receivables AED	Financial investment at FVTPL AED	Financial investment at FVTOCI AED	Total AED
Financial investment at FVTOCI	-	-	16,045,327	16,045,327
Statutory deposit	10,000,000	-	-	10,000,000
Insurance and other receivables	18,477,236	-	-	18,477,236
Due from related parties	2,159,474	-	-	2,159,474
Financial investment at FVTPL	-	33,253,931	-	33,253,931
Bank balances and cash	48,738,746	-	-	48,738,746
Total financial assets	79,375,456	33,253,931	16,045,327	128,674,714

Financial liabilities	Amount AED
Insurance and other payables	30,220,586
Due to related parties	12,653
Total financial liabilities	30,233,239

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

26. Financial instruments (continued)

26.2 Categories of financial instruments (continued)

31 December 2010

Financial assets	Loans and receivables AED	Financial investment at FVTPL AED	Financial investment at FVTOCI AED	Total AED
Financial investment at FVTOCI	-	-	30,011,533	30,011,533
Statutory deposit	10,000,000	-	-	10,000,000
Insurance and other receivables	13,902,081	-	-	13,902,081
Due from related parties	3,303,637	-	-	3,303,637
Financial investment at FVTPL	-	37,178,532	-	37,178,532
Bank balances and cash	25,132,671	-	-	25,132,671
Total financial assets	52,338,389	37,178,532	30,011,533	119,528,454

Financial liabilities	Amount AED
Insurance and other payables	30,532,656
Due to related parties	35,225
Total financial liabilities	30,567,881

The management considers that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

26. Financial instruments (continued)

26.2 Categories of financial instruments (continued)

31 December 2011	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTPL				
Quoted equities	33,253,931	-	-	33,253,931
Financial assets at FVTOCI				
Quoted equities	12,776,577	-	-	12,776,577
Unquoted equities	-	-	3,268,750	3,268,750
	<u>46,030,508</u>	<u>-</u>	<u>3,268,750</u>	<u>49,299,258</u>
31 December 2010	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTPL				
Quoted equities	37,178,532	-	-	37,178,532
Financial assets at FVTOCI				
Quoted equities	26,742,783	-	-	26,742,783
Unquoted equities	-	-	3,268,750	3,268,750
	<u>63,921,315</u>	<u>-</u>	<u>3,268,750</u>	<u>67,190,065</u>

There were no transfers between each of level during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

There are no movements in the fair value of financial assets categorised under level 3 from 2010, accordingly, no reconciliation has been provided.

26.3 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price risk.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the market risk.

26.4 Foreign currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

26. Financial instruments (continued)

26.5 Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

Key areas where the Company is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the management includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristic, other than due from insurance receivables at the end of reporting period amounting to AED 1,748,819 (2010: AED 535,047). The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

26. Financial instruments (continued)

26.6 Liquidity risk

Ultimate responsibility for liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

31 December 2011

	Less than 30 days AED	30-90 days AED	90-180 days AED	After 180 days AED	Total AED
Financial assets					
At fair value through OCI	-	-	-	16,045,327	16,045,327
Statutory deposit	-	-	-	10,000,000	10,000,000
Insurance and other receivables	5,763,995	7,166,037	2,986,763	2,560,441	18,477,236
Due from related parties	486,543	547,031	804,484	321,416	2,159,474
At fair value through profit or loss	33,253,931	-	-	-	33,253,931
Bank balances and cash - non interest bearing	7,441,407	-	-	-	7,441,407
Bank balances and cash – interest bearing	335,191	23,738,842	8,000,000	9,223,306	41,297,339
	47,281,067	31,451,910	11,791,247	38,150,490	128,674,714
Financial liabilities					
Insurance and other payables	4,671,395	4,408,276	2,559,290	18,581,625	30,220,586
Due to related parties	-	12,653	-	-	12,653
	4,671,395	4,420,929	2,559,290	18,581,625	30,233,239

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

26. Financial instruments (continued)

26.6 Liquidity risk (continued)

31 December 2010

	Less than 30 days AED	30-90 days AED	90-180 days AED	After 180 days AED	Total AED
Financial assets					
At fair value through OCI	-	-	-	30,011,533	30,011,533
Statutory deposit	-	-	-	10,000,000	10,000,000
Insurance and other receivables	2,295,165	2,336,054	2,481,901	6,788,961	13,902,081
Due from related parties	1,697,557	830,951	279,388	495,741	3,303,637
At fair value through profit or loss	37,178,532	-	-	-	37,178,532
Bank balances and cash - non interest bearing	6,913,551	-	-	-	6,913,551
Bank balances and cash – interest bearing	-	3,000,000	-	15,219,120	18,219,120
	<u>48,084,805</u>	<u>6,167,005</u>	<u>2,761,289</u>	<u>62,515,355</u>	<u>119,528,454</u>
Financial liabilities					
Insurance and other payables	6,347,325	7,210,624	3,510,443	13,464,264	30,532,656
Due to related parties	-	35,225	-	-	35,225
	<u>6,347,325</u>	<u>7,245,849</u>	<u>3,510,443</u>	<u>13,464,264</u>	<u>30,567,881</u>

26.7 Interest risk

The Company's exposure to interest rate risk relates to its bank deposits. At 31 December 2011, bank deposits carried interest rate of 2.03% per annum (2010: 3.27% per annum).

If interest rates had been 50 basis points lower throughout the year and all other variables were held constant, the Company's profit for the year ended 31 December 2011 and equity as at 31 December 2011 would decrease by approximately AED 254,750 (2010: decrease by AED 48,000).

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

26. Financial instruments (continued)

26.8 Equity price risk

Sensitivity analysis

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Company's statement of income/comprehensive income would have increased/decreased by AED 4.9 million (2010: AED 6.7 million).

Method and assumptions for sensitivity analysis

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

27. Segment information

The Company is organised into two main business segments:

Underwriting of general insurance business incorporating all classes of general insurance including fire, marine, motor, general accident and miscellaneous.

Investments incorporating investments in U.A.E. marketable equity securities, term deposits with banks, investment properties, trading investments and other securities.

**Notes to the financial statements
for the year ended 31 December 2011**

27. Segment information (continued)

	<u>2011</u> Underwriting AED	<u>2011</u> Investments AED	<u>2011</u> Total AED	<u>2010</u> Underwriting AED	<u>2010</u> Investments AED	<u>2010</u> Total AED
Segment revenue	56,490,356	-	56,490,356	52,914,336	-	52,914,336
Profit for the year	2,110,733	18,378,486	20,489,219	4,762,520	(407,715)	4,354,805
Segment assets	44,024,742	288,722,734	332,747,476	39,857,477	272,433,489	312,290,966
Unallocated assets	-	-	8,016,799	-	-	7,585,319
Total assets	44,024,742	288,722,734	340,764,275	39,857,477	272,433,489	319,876,285
Segment liabilities	68,309,506	-	68,309,506	64,924,631	-	64,924,631
Unallocated liabilities	-	-	1,585,943	-	-	1,501,771
Total liabilities	68,309,506	-	69,895,449	64,924,631	-	66,426,402

There are no transactions between the business segments.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

28. Dividend per share

During 2011, a dividend of AED Nil fils (2010: AED 10 fils) per share was paid to the Shareholders. In respect of the current year, at the Board meeting held on 9 February 2012, the Board of Directors proposed a cash dividend of 10% (AED 10 fils per share) amounting to AED 14 million. The proposal is subject to the approval of the Shareholders.

29. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 9 February 2012.