

**EMIRATES INSURANCE
COMPANY P.S.C.**

**Reports and financial
statements for the year
ended 31 December 2005**

EMIRATES INSURANCE COMPANY P.S.C.

Reports and financial statements for the year ended 31 December 2005

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EMIRATES INSURANCE COMPANY P.S.C.

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BOARD OF DIRECTORS

Chairman

H.E. Abdullah Mohamed Al Mazrui

Deputy Chairman

H.E. Fadel Saeed Al Darmaki

Directors

H.E. Mohammed Abdul Jalil Al Fahim

H.E. Ahmed Saeed Al Badi

H.E. Hussain Ali Al Sayegh

H.E. Mohammed Ahmed Saeed Al Qasimi

H.E. Mohamed Obeid Khalifa Al Jaber

H.E. Mohammed Ahmed Al Bawardi

H.E. Abdul Hameed Mohamed Saeed

General Manager

Mr. Muwaffaq A. Ghazi

Auditors

Deloitte & Touche

EMIRATES INSURANCE COMPANY P.S.C.

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BOARD OF DIRECTORS' 2005 ANNUAL REPORT

Dear Shareholders,

The Board of Directors of Emirates Insurance Company (PSC) is pleased to welcome you to this meeting to present to you its twenty-third annual report on the Company's activities and financial statements for the year ended on 31 December 2005.

The International Scene

During 2005 the insurance industry was severely affected by the continuation of the onset of major natural disasters and their aftermath of death and property destruction. A major earth quake shock northern Pakistan, several aftershocks hit Indonesia, a series of major hurricanes hit US coastal cities, heavy rainfall and flooding hit India. The economic impact of these disasters is estimated to cost around USD \$225 billion, and the insurance losses were estimated to be around USD \$ 100 billion.

Such losses have forced the international reinsurance market to impose stricter terms and conditions, and reinsurance has become more expensive for direct insurers. Despite these adverse conditions we are pleased to report to you that our Company has managed to renew its 2006 reinsurance treaties on favourable terms in comparison with terms offered to other major players in the region.

Regionally and Nationally

Regionally, the continuation of the unstable political situation in Iraq; the increasing demand from vastly growing economies of India and China; the disputes over Iran's nuclear ambitions; the deficiency in world refining capacity; are all factors that contributed towards the soaring oil prices, which crossed USD \$ 70/barrel at one stage. These factors are expected to continue affecting the soaring of oil prices in the foreseeable future.

Locally, our national economy continued to achieve very fast growth rates in all major sectors during 2005 despite the turmoil in the world economy as a result of political events and natural disasters. The Gross National Product (GNP) was estimated to have grown by 17% during 2005 to reach AED 443 billion.

The UAE stock market was able to lure a large sum of liquidity from a number of GCC national investors, which resulted from the soaring oil prices. The remarkable economic growth in the UAE led to a boom in the local stock market which posted over 110 percent increase, boosted mainly by the service and insurance sectors. The total value of traded shares in the market during 2005 amounted to USD \$ 229 billion.

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BOARD OF DIRECTORS' 2005 ANNUAL REPORT (CONTINUED)

Regionally and Nationally (continued)

As to the Company, we are pleased to report that the Financial Year 2005 was another record for the Company, despite a highly challenging economic, geopolitical, and market environment. Being able to increase both Revenue and Net Income in such environment, while entering into new investments, is a testament to the strength, flexibility, and sustainability of our business model.

The main highlights of the Company's Financial Results for the Financial Year 2005, Ending 31st December 2005, may be summarized as follows:

- **Gross Premium Income:** Increased to AED 314.8 Million, from AED 295.6 Million in 2004, representing an increase of 6.5%.
- **Net Underwriting Income:** Increased to AED 35.5 Million, from AED 28.6 Million in 2004, representing an increase of 24.1%.
- **Net investments Income and release of provision:** Increased to AED 287.4 Million, from AED 38.5 Million in 2004, representing an increase of 646.5%.
- **Net Profit for the Period:** Increased to AED 319.0 Million, from AED 66.6 Million in 2004, representing an increase of 379.0%.
- **Operating Expenses:** Increased to AED 17.8 Million, from AED 16.6 Million in 2004, representing an increase of 7.2%.
- **Shareholders' Equity:** Increased to AED 1,572 Million, from AED 1,010 Million in 2004, representing an increase of 55.6%.
- **Total Net Assets:** Increased to AED 1,930 Million, from AED 1,387 Million in 2004, representing an increase of 39.1%.
- **Earnings Per Share:** Earnings Per Share (EPS) increased to AED 3.54, from AED 0.74 in 2004, representing an increase of 378.4%.

Therefore, the Board of Directors is proposing to the forth-coming Annual General Meeting the distribution of dividend for 2005 Shareholders as follows:

- 1) Cash Dividend at the rate of 50% of the Nominal Value of each share i.e. at the rate of 50 Fils per share.
- 2) Bonus Shares Issue at the rate of 33.33% of the Nominal Value of each share i.e. at the rate of one share for each three shares held (1 : 3).

Moreover, we have continued our efforts to improve the performance and abilities of our staff, and have gone a long way towards the nationalization of the jobs in the Company where the percentage of UAE nationals, which reached 16% of the work force, is being increased progressively.

Following this brief overview, we would like to present to you the financial results of the Company as at 31 December 2005.

EMIRATES INSURANCE COMPANY P.S.C.

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BOARD OF DIRECTORS' 2005 ANNUAL REPORT (CONTINUED)

General view of the accounts

The following are the results of the individual underwriting departments:

Fire and accident insurance

Total premium written in this department amounted to AED 279,006,574 compared to AED 256,072,889 in 2004, an increase of 8.96%.

The Company's share of paid and outstanding claims in this department amounted to AED 51,015,066 compared to AED 41,245,476 in 2004, a increase of 23.7%.

The net provision for unearned premiums in this department amounted to AED 39,104,695 compared to AED 31,982,068 in 2004, an increase of 22.3%.

The department achieved a net underwriting profit of AED 30,004,732 compared to AED 24,924,677 in 2004, an increase of 20.4%.

Marine and aviation insurance

Total premiums written in this department amounted to AED 35,828,903 compared to AED 39,540,981 in 2004, an decrease of 9.4%.

The Company's share of paid and unpaid claims in this department amounted to AED 1,191,442 compared to AED 1,129,803 in 2004 an increase of 5.5%.

The net provision for unearned premium in this department amounted to AED 1,279,239 compared to AED 1,665,985 in 2004, a decrease of 23.2%.

The department achieved a net underwriting profit of AED 5,501,519 compared to AED 3,698,285 in 2004, an increase of 48.8%.

EMIRATES INSURANCE COMPANY P.S.C.

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BOARD OF DIRECTORS' 2005 ANNUAL REPORT (CONTINUED)

General view of the accounts (continued)

Distribution of profits

After allocating the provisions for unearned premiums and outstanding claims the net profit of the Company for the financial year ended 31 December 2005 amounted to AED 319,008,757 (2004 – AED 66,575,072). The Board of Directors is proposing to allocate the net profit as follows:

	AED
Proposed bonus issue	30,000,000
Proposed cash dividend	45,000,000
Board of Directors fee	1,400,000
General reserve	232,000,000
Legal reserve	9,000,000
	<hr/>
Total allocations	317,400,000
Less: accumulated profits brought forward	(410,682)
Add: accumulated profits carried forward to the next year	2,019,439
	<hr/>
	AED 319,008,757
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The Board of Directors would like to express sincere appreciation to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi, to His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister to the UAE and Ruler of Dubai, to His Highness General Sheikh Mohamad Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, for their valuable support to economic entities in general and in particular to the national institutions. Moreover, we shall not forget to pray for the late Sheikh Zayed Bin Sultan Al Nahyan and late Sheikh Maktoum Bin Rashid Al Maktoum for their good deeds and to whom the UAE owes its miraculous development and achievements.

Finally, we would like to extend our gratitude and appreciation to all the Company's local and international clients for their support and to the management and staff of the Company for their fruitful efforts which achieved another year of success.

Abdullah Mohammed Al Mazrui
Chairman of the Board of Directors
15 February 2006

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Emirates Insurance Company P.S.C.
Abu Dhabi, UAE

We have audited the accompanying balance sheet of Emirates Insurance Company P.S.C. (a Public Shareholding Company) as of 31 December 2005 and the related statements of income, changes in equity and cash flows for the year then ended as set out on pages 7 to 35. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Emirates Insurance Company P.S.C. as of 31 December 2005 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the UAE Federal Law number (9) of 1984 (as amended) concerning Insurance Companies and Agents.

Also, in our opinion, proper books are maintained by the Company, a count of assets was properly performed and the information included in the Directors' report in respect of the financial statements are in agreement with the accounting records of the Company. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions, during the financial year, of the UAE Federal Commercial Companies Law number (8) of 1984 (as amended) or the Company's Memorandum and Articles of Association which might have materially affected the activities of the Company or its financial position.

Deloitte & Touche

Saba Y. Sindaha
Registration No. 410
15 February 2006

**Balance sheet
as at 31 December 2005**

	Notes	2005 AED	2004 AED
ASSETS			
Non-current assets			
Property, plant and equipment	4	5,412,331	2,384,498
Investment properties	5	889,746	1,353,440
Available for sale investments	6	1,485,574,761	941,842,161
Statutory deposit	7	7,500,000	7,500,000
Total non-current assets		1,499,376,838	953,080,099
Current assets			
Reinsurance contract assets	9	225,206,640	252,268,691
Trade and other receivables	10	63,683,304	59,423,167
Term deposits	11	23,019,000	26,173,000
Investments held for trading	6	93,368,498	74,879,254
Prepayments		547,750	761,959
Bank and cash		24,492,909	20,012,931
Total current assets		430,318,101	433,519,002
Total assets		1,929,694,939	1,386,599,101
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	90,000,000	72,000,000
Legal reserve	13	45,000,000	36,000,000
General reserve	14	370,000,000	138,000,000
Investment revaluation reserve		989,764,973	709,407,477
Proposed bonus shares issue	15	30,000,000	18,000,000
Proposed cash dividend	15	45,000,000	36,000,000
Accumulated profits		2,019,439	410,682
Total capital and reserves		1,571,784,412	1,009,818,159
Non-current liabilities			
Provision for end of service benefit		6,041,167	5,743,445
Current liabilities			
Insurance contract liabilities	8	289,767,401	308,124,986
Trade and other payables	15	33,127,806	32,033,486
Reinsurance deposit retained		23,701,686	26,087,751
Accruals and deferred income		5,272,467	4,791,274
Total current liabilities		351,869,360	371,037,497
Total equity and liabilities		1,929,694,939	1,386,599,101

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Chairman of the Board

.....
General Manager

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

**Income statement
for the year ended 31 December 2005**

	Notes	2005 AED	2004 AED
Gross premiums written		314,835,477	295,613,870
Change in unearned premium provision		(10,000,369)	(10,375,970)
Premium income earned		304,835,108	285,237,900
Reinsurance premiums ceded		(225,759,268)	(220,907,361)
Change in unearned premium provision		3,264,488	3,067,145
Reinsurance ceded		(222,494,780)	(217,840,216)
Net earned premiums		82,340,328	67,397,684
Gross claims incurred		(89,217,681)	(124,710,959)
Reinsurance share of claims incurred		37,011,173	82,335,680
Net claims incurred		(52,206,508)	(42,375,279)
Commission expenses		(12,515,881)	(14,364,876)
Commission income		35,735,172	34,525,833
Operating expenses	17	(17,846,860)	(16,560,400)
Net underwriting income		35,506,251	28,622,962
Net investment income and release of provision	18	287,364,282	38,473,654
Other expenses (net)	19	(3,861,776)	(521,544)
Net profit for the year	20	319,008,757	66,575,072
Earnings per ordinary share	21	3.54	0.74

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

**Statement of changes in equity
for the year ended 31 December 2005**

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Proposed bonus shares issue AED	Proposed cash dividend AED	Accumulated profits AED	Total AED
Balance at 1 January 2004	60,000,000	30,000,000	132,000,000	302,269,168	12,000,000	30,000,000	1,235,610	567,504,778
Bonus share issue	12,000,000	-	-	-	(12,000,000)	-	-	-
Net profit for the year	-	-	-	-	-	-	66,575,072	66,575,072
Realised gain on sale of available for sale investments	-	-	-	(2,352,053)	-	-	-	(2,352,053)
Increase in fair value of available for sale investments (note 6)	-	-	-	409,490,362	-	-	-	409,490,362
Transfer to general reserve	-	-	6,000,000	-	-	-	(6,000,000)	-
Transfer to legal reserve	-	6,000,000	-	-	-	-	(6,000,000)	-
Proposed bonus share issue	-	-	-	-	18,000,000	-	(18,000,000)	-
Proposed cash dividend	-	-	-	-	-	36,000,000	(36,000,000)	-
Dividends paid	-	-	-	-	-	(30,000,000)	-	(30,000,000)
Directors' remuneration	-	-	-	-	-	-	(1,400,000)	(1,400,000)
Balance at 1 January 2005	72,000,000	36,000,000	138,000,000	709,407,477	18,000,000	36,000,000	410,682	1,009,818,159
Net profit for the year	-	-	-	-	-	-	319,008,757	319,008,757
Bonus share issue	18,000,000	-	-	-	(18,000,000)	-	-	-
Realised gain on sale of available for sale investments	-	-	-	(117,087,626)	-	-	-	(117,087,627)
Increase in fair value of available for sale investments (note 6)	-	-	-	397,445,122	-	-	-	397,445,122
Transfer to general reserve	-	-	232,000,000	-	-	-	(232,000,000)	-
Transfer to legal reserve	-	9,000,000	-	-	-	-	(9,000,000)	-
Proposed bonus shares issue	-	-	-	-	30,000,000	-	(30,000,000)	-
Proposed cash dividend	-	-	-	-	-	45,000,000	(45,000,000)	-
Dividends paid	-	-	-	-	-	(36,000,000)	-	(36,000,000)
Directors' remuneration	-	-	-	-	-	-	(1,400,000)	(1,400,000)
Balance at 31 December 2005	90,000,000	45,000,000	370,000,000	989,764,973	30,000,000	45,000,000	2,019,439	1,571,784,412

EMIRATES INSURANCE COMPANY P.S.C.

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

**Statement of cash flows
for the year ended 31 December 2005**

	2005 AED	2004 AED
Cash flows from operating activities		
Net profit for the year	319,008,757	66,575,072
Adjustments for:		
Net movement in reinsurance contract assets	27,062,051	(32,914,989)
Net movement in insurance contract liabilities	(18,357,585)	44,527,486
Net investment income and release of provision	(287,364,282)	(38,473,654)
Depreciation of property, plant and equipment	714,153	607,361
Loss/(profit) on disposal of property, plant and equipment	652	(3,353)
Net transfer to provision for end of service benefit	297,722	1,121,658
Cash flows from operating activities before movement in working capital	41,361,468	41,439,581
(Increase)/decrease in working capital:		
Trade and other receivables	(5,115,025)	(14,066,369)
Prepayments	214,209	(3,151)
Trade and other payables	(305,680)	10,227,711
Reinsurance deposit retained	(2,386,065)	462,883
Accruals and deferred income	331,383	(1,640,006)
Net cash provided from operating activities	34,100,290	36,420,649
Cash flows from investing activities		
Investment income excluding movement in fair value, reinvested gains on sale of trading securities, bonus shares received in lieu of dividend and depreciation on investment properties	265,336,689	18,299,946
Net purchase of investments excluding bonus shares received in lieu of dividend and amounts re-invested in trading investments	(258,368,363)	(23,215,777)
Purchase of property, plant and equipment	(3,746,714)	(2,016,383)
Proceeds from disposal of property, plant and equipment	4,076	60,299
Net cash provided from/(used in) investing activities	3,225,688	(6,871,915)

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

**Statement of cash flows
for the year ended 31 December 2005 (continued)**

	2005	2004
	AED	AED
Cash flows from financing activities		
Dividends paid	(36,000,000)	(30,000,000)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	1,325,978	(451,266)
Cash and cash equivalents at beginning of the year	46,185,931	46,637,197
	<hr/>	<hr/>
Cash and cash equivalents at end of the year (note 22)	47,511,909	46,185,931
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The accompanying notes form an integral part of these financial statements.

**Notes to the financial statements
for the year ended 31 December 2005****1 General**

Emirates Insurance Company P.S.C. is a public shareholding company which was incorporated in Abu Dhabi on 27 July 1982.

The Company is registered in accordance with UAE Federal Law No. 9 of 1984, as amended, with registration No.2.

The Company's principal activity is the transaction of general insurance and reinsurance business of all classes. The registered address of the company is P.O. Box 3856, Abu Dhabi, United Arab Emirates.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain investments at fair value.

Adoption of new and revised International Financial Reporting Standards

In the current year, the Company adopted IFRS 4 on Insurance Contracts which has become effective from 1 January 2005. The Company has also applied revised International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement, effective from 1 January 2005.

The adoption of IFRS 4 has affected the presentation and disclosure with respect to insurance liabilities, reinsurance assets and insurance and reinsurance premiums.

The Company has also incorporated the presentation and disclosures required by the following revised International Accounting Standards (IAS):

1. Presentation of financial statements (IAS 1)
2. Related party disclosure (ISA 24)

The principal accounting policies adopted are set out below:

Property, plant and equipment

The cost of property, plant and equipment is their purchase cost, together with any incidental expenses of acquisition.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)****2 Summary of significant accounting policies (continued)****Property, plant and equipment (continued)**

Depreciation is calculated so as to write off the cost of property, plant and equipment less their estimated residual values, on a straight line basis over their expected useful economic lives. The principal annual rates used for this purpose are:

	%
Furniture, fixtures and office equipment	25
Motor vehicles	33.33
Computer equipment and accessories	25

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Capital work in progress

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment asset category and is depreciated in accordance with Company's policy.

Investment properties

Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight line method to reduce the cost of investment properties to their estimated residual values over their expected useful life of 15 years.

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. The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in the statement of income.

Notes to the financial statements for the year ended 31 December 2005 (continued)

2 Summary of significant accounting policies (continued)

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its 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).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and the carrying amount of the asset and is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

Investments in securities

Investments in securities are recognised on settlement date basis and are initially measured at cost.

Investments are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the balance sheet date, where available. In the absence of quoted market prices, the fair value is determined with reference to the latest financial information of the investee. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Any significant change in the fair value of the investments which the Company has committed to purchase at the balance sheet date is recognised in the income statement for investments classified as trading and in the statement of changes in equity for investments classified as available for sale.

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the balance sheet date, 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 balance sheet date. This provision is made based on the higher of the amount required on the basis of time apportionment and the minimum rates prescribed by the UAE Insurance Companies Law which are 25% of the net premium written on marine and 40% of the net premium written on all other classes of general insurance.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)****2 Summary of significant accounting policies (continued)****Insurance contract liabilities (continued)**

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.

Liability adequacy test

At each balance sheet date, 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 statement of income initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

End of service benefit

Provision for end of service benefit is made in accordance with local labour legislation and is based on current remuneration rates and cumulative service at the balance sheet date.

Gross premiums written

Premiums are recognised when the insurance risk is accepted by the Company and policies issued. Premium recognition in respect of policies issued on a co-insurance or facultative basis represent the Company's proportionate share of the total premium on such policies.

Reinsurance ceded

Reinsurance ceded is accounted for as expense and charged to income statement based on the terms reinsurance agreements. In the case of facultative reinsurance contracts, reinsurance premiums are generally booked as expense when the Company enters into such contracts, based on the rates stipulated in such contracts. In the case of treaty reinsurance contracts, reinsurance premiums are booked as expense as per the rates stipulated in the treaties with the reinsurers for different categories of business.

Claims and loss adjustment expenses

Claims and loss adjustment expenses that are charged to income include paid and provision for outstanding claims. Paid claims comprise of amount actually settled to the policy holders and expenses incurred in settling the claims but are net of any salvage and subrogation reimbursements. The provision for outstanding claims represents the estimated amounts of all notified outstanding claims at the balance sheet. Outstanding claims include provision for outstanding claims and those incurred but not reported (IBNR). The provision for IBNR claims is made at the balance sheet date based on past experience.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)****2 Summary of significant accounting policies (continued)****Commission income and expenses**

Commission income is recognised when re-insurance is entered into and commission expenses when the policies are issued based on the terms and percentages agreed with other insurance companies and/or brokers.

Investment income

Interest income is recognised on an accrual basis.

Dividends including bonus shares received in lieu of dividend are recognised when the Company's right to receive payment is established.

Rental income is recognised on a straight line basis over the lease period net of related depreciation and other expenses.

Foreign currency transactions

Foreign currency transactions are translated into UAE Dirhams (AED) at the rate prevailing on the transaction date. Foreign currency assets and liabilities are translated into UAE Dirhams at the rate prevailing at the balance sheet date. Differences on exchange are dealt with in the income statement.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Company considers all bank and cash balances less bank overdrafts and bank deposits with a original maturity of less than three months at the balance sheet date and other than those under lien, to be cash and cash equivalents.

Financial instruments

Financial instruments mainly comprise cash and bank balances, term deposits, investment in securities, trade receivables and trade and other payables.

Cash and bank balances and term deposits are stated at their nominal values.

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for doubtful amounts.

Trade and other payables are stated at their nominal values.

Equity instruments are stated at the net proceeds received.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)****3 Critical accounting judgements and key sources of estimation of uncertainty**

While applying the accounting policies as stated in note 2, the management of the Company makes judgements. These judgements have significant effect on the carrying amounts of certain assets and liabilities. The liabilities and assets whose carrying values could be significantly impacted by management judgements mainly comprise:

- a) Liability created for outstanding claims at the year; and
- b) Trade and other receivables.

Significant estimates and assumptions made by the management of the Company while estimating the liability for the outstanding claims is discussed in detail in note 23.

Trade and other receivables are stated net of allowances for doubtful receivables estimated by the Company's management based on prior experience and the current economic environment.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

4 Property, plant and equipment

	Furniture, fixtures and office equipment AED	Motor vehicles AED	Computer equipment and accessories AED	Capital work in progress AED	Total AED
Cost					
1 January 2004	3,159,454	308,900	2,133,827	-	5,602,181
Additions	612,406	-	506,677	897,300	2,016,383
Disposals	(309,310)	-	(82,519)	-	(391,829)
1 January 2005	3,462,550	308,900	2,557,985	897,300	7,226,735
Additions	398,260	-	328,033	3,020,421	3,746,714
Disposals	(1,548,372)	-	(71,475)	-	(1,619,847)
31 December 2005	2,312,438	308,900	2,814,543	3,917,721	9,353,602
Depreciation					
1 January 2004	2,693,440	102,861	1,773,458	-	4,569,759
Charge for the year	229,896	102,967	274,498	-	607,361
Disposals	(303,849)	-	(31,034)	-	(334,883)
1 January 2005	2,619,487	205,828	2,016,922	-	4,842,237
Charge for the year	364,059	95,406	254,688	-	714,153
Disposal	(1,547,329)	-	(67,790)	-	(1,615,119)
31 December 2005	1,436,217	301,234	2,203,820	-	3,941,271
Net book value					
31 December 2005	876,221	7,666	610,723	3,917,721	5,412,331
31 December 2004	843,063	103,072	541,063	897,300	2,384,498

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

5 Investment properties

	Abu Dhabi building AED	Al Ain building AED	Total AED
Cost			
1 January 2004 and 1 January 2005	25,407,554	6,955,406	32,362,960
31 December 2005	25,407,554	6,955,406	32,362,960
Accumulated depreciation			
1 January 2004	25,406,554	5,139,273	30,545,827
Charge for the year	-	463,693	463,693
1 January 2005	25,406,554	5,602,966	31,009,520
Charge for the year	-	463,694	463,694
31 December 2005	25,406,554	6,066,660	31,473,214
Net book value			
31 December 2005	1,000	888,746	889,746
31 December 2004	1,000	1,352,440	1,353,440

Investment properties represent the cost of construction of the following properties:

(a) Abu Dhabi Head Office building

The construction of this building was completed during 1987. The Company occupies four floors of the building for its Head Office with the remaining fourteen floors available for letting to third parties. The fair value of this property is estimated to be AED 35,000,000 (2004 – AED 35,000,000).

(b) Al Ain building

The construction of this building was completed during 1992. The Company is utilising half of the second mezzanine floor for housing its Al Ain Branch office with the remaining space available for letting to third parties. The fair value of this property is estimated to be AED 7,600,000 (2004 – AED 7,600,000).

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

5 Investment properties (continued)

Land for the construction of these properties have been allotted free of cost by the Executive Council of Abu Dhabi.

The fair value of the investment properties has been arrived at on the basis of valuations carried out by M/s Colliers International, P.O. Box 47435, Abu Dhabi, United Arab Emirates, Chartered Surveyors, on an open market value basis as at 30 January 2002. The valuations were arrived at by reference to market evidence of transactions and prices of similar properties.

The property rental income earned by the Company from its investment properties amounted to AED 3,505,348 (2004 – AED 3,506,488). Direct operating expenses arising on the investment properties in 2005 amounted to AED 1,344,171 (2004 – AED 1,298,846).

6 Investments in securities

Available for sale investments

	2005	2004
	AED	AED
Balance at 1 January	942,760,411	499,671,337
Additions to investments during the year	300,975,286	50,245,256
Disposals during the year	(154,687,808)	(16,646,544)
Increase in fair value	397,445,122	409,490,362
Less: Provision for impaired investment	(918,250)	(918,250)
	<hr/>	<hr/>
Balance at 31 December	1,485,574,761	941,842,161
	<hr/> <hr/>	<hr/> <hr/>

The fair value of these investments comprised the following:

Investment in quoted UAE securities	1,229,307,007	889,069,892
Investment in unquoted UAE securities	73,831,122	11,452,305
Investment in other securities	182,436,632	41,319,964
	<hr/>	<hr/>
	1,485,574,761	941,842,161
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

6 Investments in securities (continued)

The fair value of the quoted UAE equity securities is based on the latest quotations available locally. The fair value of unquoted UAE securities have been arrived at based on the latest financial position of the investee companies.

Investment in other securities comprises of investment in unlisted overseas equity and debt securities. The fair value of such investments have been arrived at based on reports on their market values and the financial position of the investee companies from investment managers.

Investments held for trading

	2005	2004
	AED	AED
Balance at 1 January	74,879,254	74,884,408
Additions during the year	11,019,000	-
Deletions during the year	(204,579)	(3,934,153)
Increase in fair value (Note 18)	7,674,823	3,928,999
	<hr/>	<hr/>
Fair value at 31 December	93,368,498	74,879,254
	<hr/> <hr/>	<hr/> <hr/>

Investments held for trading comprise of overseas managed portfolios and the fair value of the same have been arrived at based on the latest market prices confirmed by the portfolio managers.

7 Statutory deposit

In accordance with the requirements of Federal Law No.9 of 1984 (as amended), covering insurance companies and agencies, the Company maintains a bank deposit of AED 7,500,000 which cannot be utilised without the consent of the UAE Ministry of Economy and Commerce.

8 Related parties

Related parties are those entities in which the Directors of the Company have a significant interest. Details of material transactions with such parties in the normal course of business are as follows:

	2005	2004
	AED	AED
Gross premiums written	5,023,567	3,730,216
	<hr/>	<hr/>
Claims paid	2,128,831	2,083,993
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

8 Related parties (continued)

	2005	2004
	AED	AED
Directors remuneration	1,400,000	1,400,000
Remuneration of key management personnel	6,021,286	5,900,307

The remuneration of Directors is accrued and paid as an appropriation out of the profits of the year.

The remuneration of key management personnel is based on the remuneration agreed in their employment contract as approved by the Board of Directors.

9 Insurance contract liabilities and re-insurance contract assets

	2005	2004
	AED	AED
Insurance liabilities		
- Reported claims	146,563,023	174,920,977
- Unearned premiums	143,204,378	133,204,009
	289,767,401	308,124,986
Recoverable from re-insurers		
- Reported claims	122,386,196	152,712,735
- Unearned premiums	102,820,444	99,555,956
	225,206,640	252,268,691

**Notes to the financial statements
for the year ended 31 December 2005 (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:

	2005			2004		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
Claims						
Notified claims	157,386,898	137,404,812	19,982,086	125,290,595	109,354,794	15,935,801
Incurring but not reported	17,534,079	15,307,923	2,226,156	15,478,866	13,510,097	1,968,769
Total at the beginning of the year	174,920,977	152,712,735	22,208,242	140,769,461	122,864,891	17,904,570
Claims settled in the year	(117,575,635)	(67,337,712)	(50,237,923)	(90,559,443)	(52,487,838)	(38,071,605)
Increase in liabilities	89,217,681	37,011,173	52,206,508	124,710,959	82,335,682	42,375,277
Total at the end of the year	146,563,023	122,386,196	24,176,827	174,920,977	152,712,735	22,208,242
Notified claims	132,135,128	110,338,306	21,796,822	157,386,898	137,404,812	19,982,086
Incurring but not reported	14,427,895	12,047,890	2,380,005	17,534,079	15,307,923	2,226,156
Total at the end of the year	146,563,023	122,386,196	24,176,827	174,920,977	152,712,735	22,208,242
Unearned premium						
Total at the beginning of the year	133,204,009	99,555,956	33,648,053	122,828,039	96,488,811	26,339,228
Increase in the year	143,204,378	102,820,444	40,383,934	133,204,009	99,555,956	33,648,053
Release in the year	(133,204,009)	(99,555,956)	(33,648,053)	(122,828,039)	(96,488,811)	(26,339,228)
Net increase during the year	10,000,369	3,264,488	6,735,881	10,375,970	3,067,145	7,308,825
Total at the end of the year	143,204,378	102,820,444	40,383,934	133,204,009	99,555,956	33,648,053

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

10 Trade and other receivables

	2005	2004
	AED	AED
Amount due from insurance companies	40,106,727	32,362,239
Other insurance debtors	24,831,672	24,657,499
Provision for doubtful debts	(1,950,000)	(1,950,000)
	62,988,399	55,069,738
Due from related parties (note 8)	951,047	1,021,788
Other debtors	(256,142)	3,331,641
	63,683,304	59,423,167

11 Term deposits

Term deposits are held locally in financial institutions. The original maturity ranges from one to three months. Interest is receivable at annual rates ranging from 2.3% to 5.55%.

12 Share capital

	2005	2004
	AED	AED
Authorised:		
90,000,000 shares of AED 1 each (2004 – 7,200,000 of AED 10 each)	90,000,000	72,000,000
Allotted, issued and fully paid:		
90,000,000 shares of AED 1 each (2004 – 7,200,000 of AED 10 each)	90,000,000	72,000,000

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

12 Share capital (continued)

	2005	2005	2004	2004
	Number of	AED	Number of	AED
	shares		shares	
As of January 1	7,200,000	72,000,000	6,000,000	60,000,000
Bonus issue as of 23 February	1,800,000	18,000,000	1,200,000	12,000,000
	9,000,000	90,000,000	7,200,000	72,000,000
Share split as of 23 February, 10 shares for 1 share	90,000,000	-	-	-
Balance as of December 31	90,000,000	90,000,000	7,200,000	72,000,000

At 31 December 2005, a total of 10,632,000 (2004 – 850,560) shares were held by Abu Dhabi Investment Authority and 79,368,000 (2004 – 6,349,440) shares by UAE nationals.

At the Annual General Meeting held on 23 February 2005, the Shareholders approved a bonus issue in respect of 2004 of 1,800,000 shares amounting to AED 18,000,000. In the same meeting the shareholders also approved the split of the nominal value of the share from AED 10 to AED 1.

13 Legal reserve

The legal reserve, which is non-distributable, comprises transfers in accordance with the Articles of Association of the Company of at least 10% of the annual net profit until such time as the reserve equals at least 50% of the paid up share capital.

14 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors. This reserve may be used for such purposes as the Directors deem fit.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

15 Proposed cash dividend and bonus shares issue

The Board of Directors have proposed a cash dividend of AED 0.50 per share (2004 – AED 5) amounting to AED 45,000,000 (2004 – AED 30,000,000) and bonus shares issue amounting to AED 30,000,000 (2004 – 18,000,000) being 33.33% of paid up capital. This is subject to the approval of the shareholders.

16 Trade and other payables

	2005	2004
	AED	AED
Amount due to insurance companies	24,314,983	24,713,135
Other insurance creditors	4,543,010	3,023,950
Due to related parties (note 8)	83,923	392,886
Provision for Directors' remuneration	1,400,000	1,400,000
Unclaimed dividend	2,785,890	2,503,515
	33,127,806	32,033,486

17 Operating expenses

	2005	2004
	AED	AED
Staff costs	13,387,584	12,568,822
Depreciation on property, plant and equipment	714,153	607,361
Rental expenses	922,159	814,136
Others	2,822,964	2,570,081
	17,846,860	16,560,400

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

**18 Net investment income and
release of provision**

	2005	2004
	AED	AED
Interest on bank deposits	802,596	317,332
Dividends from UAE marketable equity securities	24,908,710	20,513,907
Net profit on disposal of UAE marketable equity securities	248,136,494	2,860,570
Income from other securities	3,680,482	1,711,871
Increase in fair value of investments held for trading (note 6)	7,674,823	3,928,999
Net rental income	2,161,177	2,207,642
Release of provision	-	6,933,333
	287,364,282	38,473,654

Release of provision in 2004 represents release from general insurance fund which was established against earnings as a contingency fund against significant future claims or disasters.

19 Other expenses (net)

	2005	2004
	AED	AED
Exchange (loss)/gain	(2,699,729)	677,406
Staff costs	(1,686,547)	(1,359,590)
Other income (net)	524,511	160,640
	(3,861,765)	(521,544)

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

20 Net profit for the year

Net profit for the year has been arrived at after charging the following staff related expenses:

	2005	2004
	AED	AED
Staff salaries and benefits (included in operating expenses)	13,387,584	12,568,822
Staff bonus (included in other expenses) (net)	1,686,547	1,359,590
	15,074,131	13,928,412

21 Earnings per ordinary share

The calculation of earnings per ordinary share is based on the net profit attributable to the shareholders of Emirates Insurance Company P.S.C. of AED 319,008,757 (2004 – AED 66,575,072) and the weighted average number of ordinary shares in issue during the year of 90,000,000 shares (2004 – 90,000,000 shares).

The earnings per share for 2004 have been restated to reflect the bonus issue and share split during the year in accordance with the requirements of International Accounting Standard 33.

22 Cash and cash equivalents

	2005	2004
	AED	AED
Term deposits	23,019,000	26,173,000
Bank and cash	24,492,909	20,012,931
	47,511,909	46,185,931

23 Insurance contracts

Estimates and assumptions

The Company makes estimates and assumptions that effect the reported amount of insurance assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and the latest available information including expectations of future events that are believed to be reasonable under the circumstances. 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.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

23 Insurance contracts (continued)

The following schedules reflects the actual claims compared to the previous estimates for the last five years on an accident year basis:

Reporting year	2001 and earlier	2002	2003	2004	2005	Total
At the end of the reporting year	92,375,662	59,594,536	74,536,809	68,462,270	39,574,085	
One year later	101,875,247	68,831,249	71,551,080	82,653,987	-	
Two years later	87,372,244	72,606,060	70,448,610	-	-	
Three years later	96,395,956	68,061,985	-	-	-	
Four years later	81,796,635	-	-	-	-	
Current estimate of cumulative claims	81,796,635	68,061,985	70,448,610	82,653,987	39,574,085	342,535,302
Cumulative payments to date	(65,846,872)	(55,685,321)	(39,254,638)	(35,185,448)	-	(195,972,279)
Liability recognized in the balance sheet	15,949,763	12,376,664	31,193,972	47,468,539	39,574,085	146,563,023

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the net profit of the Company amounts to 11% for the year ended 31 December 2005. The Company does not foresee any major impact in the amount contributed from insurance operations to the net profit due to the following reasons:

The Company has an overall retention level in respect of insurance premium in the region of 25 - 30% and this is mainly contributed by Motor business wherein the retention levels are 60 - 70%. However, in this class, the liabilities are adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company has a net commission earnings of around 65% of the net insurance profit predominantly from the reinsurance placement which remains as a comfortable source of income.

Because of low risk retention in 75% 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 15 - 25% and does not foresee any serious financial impact in the insurance net profit.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)****23 Insurance contracts (continued)***Risk management objectives and policies*

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 very 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. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Company manages these 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. For example, the Company has the right not to renew individual policies, 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 (i.e., subrogation).

The reinsurance arrangements include excess, stop-loss and catastrophe coverage. In addition to the overall Company reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

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.

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.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

23 Insurance contracts (continued)

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from casualty insurance contracts:

Territory		2005		
		Marine	Non-marine	Total
UAE	Gross	24,671,245,639	43,446,748,388	68,117,994,027
	Net	1,093,387,497	4,537,054,765	5,630,442,262
GCC countries	Gross	29,073,064	2,155,368,252	2,184,441,316
	Net	2,782,745	190,839,778	193,622,523
Others	Gross	241,913,771	1,110,937,833	1,352,851,604
	Net	6,136,859	89,245,479	95,382,338
Total	Gross	24,942,232,474	46,713,054,473	71,655,286,947
	Net	1,102,307,101	4,817,140,022	5,919,447,123

The relative geographical concentration of the risk is stable in comparison to last year.

Territory		2004		
		Marine	Non-marine	Total
UAE	Gross	20,365,133,790	41,627,686,846	61,992,820,636
	Net	690,019,838	6,536,312,583	7,226,332,421
GCC countries	Gross	160,155,855	2,472,227,304	2,632,383,159
	Net	3,480,087	225,730,923	229,211,010
Others	Gross	184,650,106	1,054,927,463	1,239,577,569
	Net	7,405,714	109,769,746	117,175,460
Total	Gross	20,709,939,751	45,154,841,613	65,864,781,364
	Net	700,905,639	6,871,813,252	7,572,718,891

**Notes to the financial statements
for the year ended 31 December 2005 (continued)****24 Financial instruments****(a) Interest rate risk management**

The Company is not exposed to significant interest rate risk as its interest-sensitive assets are repriced frequently.

(b) Fair value of financial assets and liabilities

The carrying value of the Company's financial assets and liabilities as recorded in the balance sheet approximates to the fair value of those financial assets and liabilities.

(c) Credit risk

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

For all classes of financial instruments held by the Company, other than those relating to insurance contracts, the credit risk exposure to the Company approximates the carrying value as disclosed in the financial statements at the balance sheet date.

Trade and other receivables mainly comprise amounts due from insurance companies, customers, brokers and other debtors. The average credit period is approximately 90 days.

The Company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables estimated by the Company's management based on prior experience and the current economic environment.

The Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

A significant portion of investments in securities amounting to AED 72,334,064 (2004 – AED 67,468,632) and shown as part of current assets are held with a portfolio manager based in United States of America.

Trade and other payables mainly comprise amounts payable to insurance and other creditors. The average credit period taken is 60 days. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)****24 Financial instruments (continued)****(d) Currency risk**

A significant portion of investments in securities amounting to AED 238,940,853 (2004 – AED 108,175,145) are held in US Dollars, which is pegged to the UAE Dirhams, and consequently the Company has a minimal risk of significant losses due to exchange rate fluctuations.

Apart for this, the Company also has significant investments denominated in Euros amounting to AED 30,567,361 (2004 – AED 8,942,303). Management considers the exchange risk on these investments to be a normal business risk and hence no hedging has been done for this purpose.

(e) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments in quoted securities held by it directly or through investment managers. The Company limits market risk by actively monitoring the key factors that affect stock and the market movements, including analysis of the operational and financial performance of the investee.

25 Segment information**Primary 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 UAE 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 2005 (continued)**

25 Segment information (continued)

Primary segment information (continued)

	2005	2005	2005	2004	2004	2004
	Underwriting	Investments	Total	Underwriting	Investments	Total
	AED	AED	AED	AED	AED	AED
Segment revenue	350,570,649	288,708,453	639,279,102	330,139,703	34,174,954	364,314,657
Segment result	35,506,251	287,364,282	322,870,533	28,622,962	31,540,321	60,163,283
Unallocated revenue			-			6,933,333
Unallocated costs (net)			(3,861,776)			(521,544)
Net profit for the year			319,008,757			66,575,072
Segment assets	294,621,658	1,610,580,372	1,905,202,030	313,755,060	1,052,831,110	1,366,586,170
Unallocated assets			24,492,909			20,012,931
Total assets			1,929,694,939			1,386,599,101
Segment liabilities	351,816,252	1,908,385	353,724,637	371,119,852	1,757,575	372,877,427
Unallocated liabilities			4,185,890			3,903,515
Total liabilities			357,910,527			376,780,942

There are no transactions between the business segments.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

25 Segment information (continued)

Secondary segment information

The Company's underwriting business is based entirely within United Arab Emirates, except for treaty reinsurance arrangements which are held with companies based primarily in Europe. All the investments of the Company are held in the UAE except for the investments in the managed portfolios and other securities which are held in the United States of America and Europe.

	Revenue 2005 AED	Revenue 2004 AED	Total assets 2005 AED	Total assets 2004 AED
United Arab Emirates	608,592,528	340,619,123	1,660,186,725	1,270,399,902
U.S.A.	10,332,405	8,501,440	238,940,853	107,256,896
Europe	20,354,169	22,127,427	30,567,361	8,942,303
	<hr/> 639,279,102 <hr/>	<hr/> 371,247,990 <hr/>	<hr/> 1,929,694,939 <hr/>	<hr/> 1,386,599,101 <hr/>

26 Contingent liabilities

At 31 December 2005, the Company had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 3,623,991 (2004 - AED 5,816,641).

27 Commitments

At 31 December 2005, the Company had outstanding commitments to invest in unlisted overseas securities amounting to AED 82,442,554 (2004 - AED 7,404,687).

28 Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

29 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting on 15 February 2006.