EMIRATES INSURANCE COMPANY P.S.C.

Reports and financial statements for the year ended 31 December 2006

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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 Nasser Al Nasri
	H.E. Abdulla Ali Al Saadi
Chief Financial Officer	**Mr. Aart Lehmkuhl**
Auditors	**Deloitte & Touche**

BOARD OF DIRECTORS'
2006 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 2006.

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 favorable 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.

BOARD OF DIRECTORS'
2006 ANNUAL REPORT (CONTINUED)

Regionally and Nationally (continued)

Regionally and Nationally (continued)

As to the Company, we are pleased to report that the Financial Year 2006 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 2006, Ending 31st December 2006, may be summarized as follows:

- **Gross Premium Income:** Increased to AED 342.6 Million, from AED 314.8 Million in 2005, representing an increase of 8.8%.
- **Net Underwriting Income:** Decreased to AED 23.8 Million, from AED 35.5 Million in 2005, representing decrease of 32.9 %.
- **Net investments Income :** Decreased to AED 61.7 Million, from AED 287.4 Million in 2005, representing decrease of 78.5%.
- **Net Profit for the Period:** Decreased to AED 83.24 Million, from AED 319.0 Million in 2005, representing decrease of 73.9%.
- **Operating Expenses:** Increased to AED 19.2 Million, from AED 17.8 Million in 2005, representing an increase of 7.9%.
- **Shareholders' Equity:** Decreased to AED 1,103 Million, from AED 1,572 Million in 2005, representing decrease of 29.8%.
- **Total Net Assets:** Decreased to AED 1,547 Million, from AED 1,930 Million in 2005, representing decrease of 19.8%.
- **Earnings Per Share:** Earnings Per Share (EPS) decreased to AED0.69, from AED 2.66 in 2005, representing decrease of 74.1%.

Therefore, the Board of Directors is proposing to the forth-coming Annual General Meeting the distribution of dividend for 2006 Shareholders as follows:

> Cash Dividend at the rate of 50% of the Nominal Value of each share i.e. at the rate of 50 Fils per share.

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 15% 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 2006.

BOARD OF DIRECTORS'
2006 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 301,036,507 compared to AED 279,006,574 in 2005, an increase of 7.9%.

The Company's share of paid and outstanding claims in this department amounted to AED 68,000,137 compared to AED 51,015,066 in 2005, a increase of 33.3%.

The net provision for unearned premiums in this department amounted to AED 46,193,891 compared to AED 39,104,695 in 2005, an increase of 18.1%.

The department achieved a net underwriting profit of AED 16,270,897 compared to AED 30,004,732 in 2005, decrease of 45.8%.

Marine and aviation insurance

Total premiums written in this department amounted to AED 41,562,505 compared to AED 35,828,903 in 2005, an increase of 16%.

The Company's share of paid and unpaid claims in this department amounted to AED 1,046,692 compared to AED 1,191,442 in 2005 decrease of 12.2%.

The net provision for unearned premium in this department amounted to AED 1,381,349 compared to AED 1,279,239 in 2005, an increase of 8%.

The department achieved a net underwriting profit of AED 7,488,511 compared to AED 5,501,519 in 2005, an increase of 36.1%.

BOARD OF DIRECTORS'
2006 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 2006 amounted to AED 83,095,407 (2005 – AED 319,008,757). The Board of Directors is proposing to allocate the net profit as follows:

		AED
Proposed cash dividend		60,000,000
Board of Directors fee		1,400,000
General reserve		5,000,000
Legal reserve		15,000,000
Total allocations		81,400,000
Less:	accumulated profits brought forward	(2,019,439)
Add:	accumulated profits carried forward to the next year	3,714,846
		83,095,407

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
14th February 2007

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the financial statements of Emirates Insurance Company P.S.C. (the "Company"), which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the financial statements

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

Auditor's Responsibility

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, proper books of account are maintained by the Company, and the information included in the Board of Directors' report is in agreement with the books of account. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) or the Articles of Association of the Company which might have a material effect on the financial position of the Company or on the results of its operations for the year.

Saba Y. Sindaha
Registration Number 410
14 February 2007

Balance sheet
as at 31 December 2006

	Notes	2006 AED	2005 AED
ASSETS			
Non-current assets			
Property, plant and equipment	**5**	**6,872,888**	5,412,331
Investment properties	**6**	**426,052**	889,746
Available for sale investments	**7**	**1,058,921,502**	1,485,574,761
Statutory deposit	**8**	**7,500,000**	7,500,000
Total non-current assets		**1,073,720,442**	1,499,376,838
Current assets			
Reinsurance contract assets	**10**	**257,017,534**	225,206,640
Trade and other receivables	**11**	**115,694,981**	63,683,304
Term deposits	**12**	**40,000,000**	23,019,000
Investments held for trading	**7**	**25,236,574**	93,368,498
Prepayments		**954,694**	547,750
Bank and cash		**34,749,442**	24,492,909
Total current assets		**473,653,225**	430,318,101
Total assets		**1,547,373,667**	1,929,694,939
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**13**	**120,000,000**	90,000,000
Legal reserve	**14**	**60,000,000**	45,000,000
General reserve	**15**	**375,000,000**	370,000,000
Investment revaluation reserve		**484,049,808**	989,764,973
Proposed bonus shares issue	**16**	**-**	30,000,000
Proposed cash dividend	**16**	**60,000,000**	45,000,000
Accumulated profits		**3,714,846**	2,019,439
Total capital and reserves		**1,102,764,654**	1,571,784,412
Non-current liabilities			
Provision for end of service benefit		**4,738,881**	6,041,167
Current liabilities			
Insurance contract liabilities	**10**	**336,916,451**	289,767,401
Trade and other payables	**17**	**69,123,018**	33,127,806
Reinsurance deposit retained		**28,136,172**	23,701,686
Accruals and deferred income		**5,694,491**	5,272,467
Total current liabilities		**439,870,132**	351,869,360
Total equity and liabilities		**1,547,373,667**	1,929,694,939

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Chairman of the Board   **Chief Financial Officer**

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

Income statement
for the year ended 31 December 2006

	Notes	2006 AED	2005 AED
Gross premiums written		**342,599,012**	314,835,477
Change in unearned premium deferred		**(31,515,144)**	(10,000,369)
Premium income earned		**311,083,868**	304,835,108
Reinsurance premiums ceded		**(249,594,211)**	(225,759,268)
Change in reinsurance portion of unearned premium deferred		**24,323,838**	3,264,488
Reinsurance ceded		**(225,270,373)**	(222,494,780)
Net earned premiums		**85,813,495**	82,340,328
Gross claims incurred		**(135,168,086)**	(89,217,681)
Reinsurance share of claims incurred		**66,121,258**	37,011,173
Net claims incurred		**(69,046,828)**	(52,206,508)
Commission expenses		**(15,245,206)**	(12,515,881)
Commission income		**41,398,809**	35,735,172
Operating expenses	**18**	**(19,160,862)**	(17,846,860)
Net underwriting income		**23,759,408**	35,506,251
Net investment income	**19**	**61,706,457**	287,364,282
Other expenses (net)	**20**	**(2,370,458)**	(3,861,776)
Net profit for the year	**21**	**83,095,407**	319,008,757
Earnings per ordinary share	**22**	**0.69**	2.66

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

Statement of changes in equity
for the year ended 31 December 2006

	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 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)	-	-	-	(117,087,626)
Increase in fair value of available for sale investments (note 7)	-	-	-	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 1 January 2006	**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**
Net profit for the year	-	-	-	-	-	-	83,095,407	83,095,407
Bonus share issue	30,000,000				(30,000,000)			
Realised gain on sale of available for sale investments	-	-	-	(1,065,694)	-	-	-	(1,065,694)
Increase in fair value of available for sale investments (note 7)	-	-	-	(504,649,471)	-	-	-	(504,649,471)
Transfer to general reserve	-	-	5,000,000	-	-	-	(5,000,000)	-
Transfer to legal reserve	-	15,000,000	-	-	-	-	(15,000,000)	-
Proposed cash dividend	-	-	-	-	-	60,000,000	(60,000,000)	-
Dividends paid	-	-	-	-	-	(45,000,000)	-	(45,000,000)
Directors' remuneration	-	-	-	-	-	-	(1,400,000)	(1,400,000)
Balance at 31 December 2006	**120,000,000**	**60,000,000**	**375,000,000**	**484,049,808**	**-**	**60,000,000**	**3,714,846**	**1,102,764,654**

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

Statement of cash flows
for the year ended 31 December 2006

	2006 AED	2005 AED
Cash flows from operating activities		
Net profit for the year	**83,095,407**	319,008,757
Adjustments for:		
Net movement in reinsurance contract assets	**(31,810,894)**	27,062,051
Net movement in insurance contract liabilities	**47,149,050**	(18,357,585)
Net investment income	**(61,706,457)**	(287,364,282)
Depreciation of property, plant and equipment	**710,765**	714,153
(Gain)/(loss) on disposal of property, plant and equipment	**(88,532)**	652
Net transfer to end of service benefit	**(1,302,286)**	297,722
Cash flows from operating activities before movement in working capital	**36,047,053**	41,361,468
(Increase)/decrease in working capital:		
Trade and other receivables	**(46,854,791)**	(5,115,025)
Prepayments	**(406,944)**	214,209
Trade and other payables	**34,595,212**	(305,680)
Reinsurance deposit retained	**4,434,486**	(2,386,065)
Accruals and deferred income	**383,391**	331,383
Net cash provided from operating activities	**28,198,407**	34,100,290
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	**34,046,273**	265,336,689
Net purchase of investments excluding bonus shares received in lieu of dividend and amounts re-invested in trading investments	**12,075,643**	(258,368,363)
Purchase of property, plant and equipment	**(2,193,614)**	(3,746,714)
Proceeds from disposal of property, plant and equipment	**110,824**	4,076
Net cash provided from investing activities	**44,039,126**	3,225,688

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

Statement of cash flows
for the year ended 31 December 2006 (continued)

	2006	2005
	AED	AED
Cash flows from financing activities		
Dividends paid	**(45,000,000)**	(36,000,000)
Net increase in cash and cash equivalents	**27,237,533**	1,325,978
Cash and cash equivalents at beginning of the year	**47,511,909**	46,185,931
Cash and cash equivalents at end of the year (note 23)	**74,749,442**	47,511,909

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

Notes to the financial statements for the year ended 31 December 2006

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 Adoption of new and revised International Financial Reporting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

• IFRS 7 *Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures*	Effective for annual periods beginning on or after 1 January 2007
• *IFRS 8 0perating Segments*	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*	Effective for annual periods beginning on or after 1 March 2006
• IFRIC 8 *Scope of IFRS 2*	Effective for annual periods beginning on or after 1 May 2006
• IFRIC 9 *Reassessment of Embedded Derivatives*	Effective for annual periods beginning on or after 1 June 2006
• IFRIC 10 *Interim Financial Reporting and Impairment*	Effective for annual periods beginning on or after 1 November 2006
• IFRIC 11 *IFRS2: Company and Treasury Share Transactions*	Effective for annual periods beginning on or after 1 March 2007
• IFRIC 12 *Service Concession Arrangements*	Effective for annual periods beginning on or after 1 January 2008

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

Notes to the financial statements
for the year ended 31 December 2006 (continued)

3 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. The principal accounting policies 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.

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 or investment property 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.

Notes to the financial statements
for the year ended 31 December 2006 (continued)

3 Summary of significant accounting policies (continued)

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 recognised 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 recognises that impairment loss in the statement of income.

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.

3 Summary of significant accounting policies (continued)

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.

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 insurance 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

Liability for end of service benefit is recorded 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.

Notes to the financial statements for the year ended 31 December 2006 (continued)

3 Summary of significant accounting policies (continued)

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.

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.

3 Summary of significant accounting policies (continued)

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.

4 Critical accounting judgements and key sources of estimation of uncertainty

While applying the accounting policies as stated in note 3, 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 24.

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 2006 (continued)

5 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 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)
1 January 2006	2,312,438	308,900	2,814,543	3,917,721	9,353,602
Additions	606,349	-	886,919	700,346	2,193,614
Disposals	(472,291)	(275,000)	(119,408)	-	(866,699)
31 December 2006	**2,446,496**	**33,900**	**3,582,054**	**4,618,067**	**10,680,517**
Depreciation					
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)
1 January 2006	1,436,217	301,234	2,203,820	-	3,941,271
Charge for the year	377,045	7,666	326,054	-	710,765
Disposal	(467,135)	(275,000)	(102,272)	-	(844,407)
31 December 2006	**1,346,127**	**33,900**	**2,427,602**	**-**	**3,807,629**
Net book value					
31 December 2006	**1,100,369**	**-**	**1,154,452**	**4,618,067**	**6,872,888**
31 December 2005	876,221	7,666	610,723	3,917,721	5,412,331

Notes to the financial statements for the year ended 31 December 2006 (continued)

6 Investment properties

	Abu Dhabi building AED	Al Ain building AED	Total AED
Cost			
1 January 2005 and 1 January 2006	25,407,554	6,955,406	32,362,960
31 December 2006	**25,407,554**	**6,955,406**	**32,362,960**
Accumulated depreciation			
1 January 2005	25,406,554	5,602,966	31,009,520
Charge for the year	-	463,694	463,694
1 January 2006	25,406,554	6,066,660	31,473,214
Charge for the year	-	463,694	463,694
31 December 2006	**25,406,554**	**6,530,354**	**31,936,908**
Net book value			
31 December 2006	**1,000**	**425,052**	**426,052**
31 December 2005	1,000	888,746	889,746

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 54,150,000 (2005 – 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 9,500,000 (2005 – AED 7,600,000).

Notes to the financial statements for the year ended 31 December 2006 (continued)

6 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 31 December 2006. 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 3,638,471 (2005 – AED 3,505,348). Direct operating expenses arising on the investment properties in 2006 amounted to AED 1,300,917 (2005 – AED 1,344,171).

7 Investments in securities

Available for sale investments

	2006 AED	2005 AED
Balance at 1 January	**1,486,493,011**	942,760,411
Additions to investments during the year	**98,005,932**	300,975,286
Disposals during the year	**(20,009,720)**	(154,687,808)
(Decrease)/increase in fair value	**(504,649,471)**	397,445,122
Less: Provision for impaired investment	**(918,250)**	(918,250)
Balance at 31 December	**1,058,921,502**	1,485,574,761

The fair value of these investments comprised the following:

Investment in quoted UAE securities	**761,386,504**	1,229,307,007
Investment in unquoted UAE securities	**83,328,227**	73,831,122
Investment in other securities	**214,206,771**	182,436,632
	1,058,921,502	1,485,574,761

Notes to the financial statements for the year ended 31 December 2006 (continued)

7 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

	2006 AED	2005 AED
Balance at 1 January	**93,368,498**	74,879,254
Additions during the year	**3,702,221**	11,019,000
Disposals during the year	**(72,334,064)**	(204,579)
Increase in fair value (Note 19)	**499,919**	7,674,823
Fair value at 31 December	**25,236,574**	93,368,498

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.

8 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.

Notes to the financial statements
for the year ended 31 December 2006 (continued)

9 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:

	2006 AED	2005 AED
Gross premiums written	**4,952,072**	5,023,567
Claims paid	**1,246,811**	2,128,831
Directors remuneration	**1,400,000**	1,400,000
Remuneration of key management personnel	**5,298,491**	6,021,286

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.

10 Insurance contract liabilities and re-insurance contract assets

	2006 AED	2005 AED
Insurance liabilities		
- Reported claims	**162,196,929**	146,563,023
- Unearned premiums	**174,719,522**	143,204,378
	336,916,451	289,767,401
Recoverable from re-insurers		
- Reported claims	**129,873,252**	122,386,196
- Unearned premiums	**127,144,282**	102,820,444
	257,017,534	225,206,640

Notes to the financial statements for the year ended 31 December 2006 (continued)

10 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:

	2006			2005		
	Gross AED	**Reinsurance AED**	**Net AED**	Gross AED	Reinsurance AED	Net AED
Claims						
Notified claims	**132,135,128**	**110,338,306**	**21,796,822**	157,386,898	137,404,812	19,982,086
Incurred but not reported	**14,427,895**	**12,047,890**	**2,380,005**	17,534,079	15,307,923	2,226,156
Total at the beginning of the year	**146,563,023**	**122,386,196**	**24,176,827**	174,920,977	152,712,735	22,208,242
Claims settled in the year	**(119,534,180)**	**(58,634,202)**	**(60,899,978)**	(117,575,635)	(67,337,712)	(50,237,923)
Increase in liabilities	**135,168,086**	**66,121,258**	**69,046,828**	89,217,681	37,011,173	52,206,508
Total at the end of the year	**162,196,929**	**129,873,252**	**32,323,677**	146,563,023	122,386,196	24,176,827
Notified claims	**145,266,335**	**116,316,698**	**28,949,637**	132,135,128	110,338,306	21,796,822
Incurred but not reported	**16,930,594**	**13,556,554**	**3,374,040**	14,427,895	12,047,890	2,380,005
Total at the end of the year	**162,196,929**	**129,873,252**	**32,323,677**	146,563,023	122,386,196	24,176,827
Unearned premium						
Total at the beginning of the year	**143,204,378**	**102,820,444**	**40,383,934**	133,204,009	99,555,956	33,648,053
Increase in the year	**174,719,522**	**127,144,282**	**47,575,240**	143,204,378	102,820,444	40,383,934
Release in the year	**(143,204,378)**	**(102,820,444)**	**(40,383,934)**	(133,204,009)	(99,555,956)	(33,648,053)
Net increase during the year	**31,515,144**	**24,323,838**	**7,191,306**	10,000,369	3,264,488	6,735,881
Total at the end of the year	**174,719,522**	**127,144,282**	**47,575,240**	143,204,378	102,820,444	40,383,934

Notes to the financial statements for the year ended 31 December 2006 (continued)

11 Trade and other receivables

	2006 AED	2005 AED
Amount due from insurance companies	**47,809,872**	40,106,727
Other insurance receivables	**59,475,242**	24,831,672
Provision for doubtful debts	**(2,100,000)**	(1,950,000)
	105,185,114	62,988,399
Due from related parties (note 9)	**1,873,415**	951,047
Other receivables	**8,636,452**	(256,142)
	115,694,981	63,683,304

12 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 5.25% to 5.95%.

13 Share capital

	2006 AED	2005 AED
Authorised:		
120,000,000 shares of AED 1 each (2005 – 90,000,000 of AED 1 each)	**120,000,000**	90,000,000
Allotted, issued and fully paid:		
120,000,000 shares of AED 1 each (2005 – 90,000,000 of AED 1 each)	**120,000,000**	90,000,000

Notes to the financial statements for the year ended 31 December 2006 (continued)

13 Share capital (continued)

	2006 Number of shares	**2006 AED**	2005 Number of shares	2005 AED
As of January 1	**90,000,000**	**90,000,000**	7,200,000	72,000,000
Bonus issue as of 23 February	**30,000,000**	**30,000,000**	1,800,000	18,000,000
	120,000,000	**120,000,000**	9,000,000	90,000,000
Share split as of 23 February, 10 shares for 1 share	-	-	90,000,000	-
Balance as of 31 December	**120,000,000**	**120,000,000**	90,000,000	90,000,000

At 31 December 2006, a total of 14,176,000 (2005 – 10,632,000) shares were held by Abu Dhabi Investment Authority and 105,824,000 (2005 – 79,368,000) shares by UAE nationals.

At the Annual General Meeting held on 23 February 2006, the Shareholders approved a bonus issue in respect of 2005 of 30,000,000 shares amounting to AED 30,000,000

14 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.

15 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 2006 (continued)

16 Proposed cash dividend and bonus shares issue

The Board of Directors have proposed a cash dividend of AED 0.50 per share (2005 – AED 0.50) amounting to AED 60,000,000 (2005 – AED 45,000,000) and bonus shares issue amounting to AED Nil (2005 – 30,000,000). This is subject to the approval of the shareholders.

17 Trade and other payables

	2006	2005
	AED	AED
Amount due to insurance companies	**30,055,552**	24,314,983
Other insurance payables	**34,000,563**	4,543,010
Due to related parties (note 9)	**38,388**	83,923
Provision for Directors' remuneration	**1,400,000**	1,400,000
Unclaimed dividend	**3,628,516**	2,785,890
	69,123,019	33,127,806

18 Operating expenses

	2006	2005
	AED	AED
Staff costs	**14,494,841**	13,387,584
Depreciation on property, plant and equipment	**710,765**	714,153
Rental expenses	**934,102**	922,159
Others	**3,021,154**	2,822,964
	19,160,862	17,846,860

Notes to the financial statements for the year ended 31 December 2006 (continued)

19 Net investment income and release of provision

	2006 AED	2005 AED
Interest on bank deposits	**240,178**	802,596
Dividends from UAE marketable equity securities	**37,425,974**	24,908,710
Net profit on disposal of UAE marketable equity securities	**1,065,694**	248,136,494
Income from other securities	**20,137,138**	3,680,482
Increase in fair value of investments held for trading (note 7)	**499,919**	7,674,823
Net rental income	**2,337,554**	2,161,177
	61,706,457	287,364,282

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.

20 Other expenses (net)

	2006 AED	2005 AED
Exchange (loss)/gain	**4,875,420**	(2,699,729)
Staff costs	**(1,177,136)**	(1,686,547)
Other expenses (net)	**(6,068,742)**	524,500
	(2,370,458)	(3,861,776)

21 Net profit for the year

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

	2006 AED	2005 AED
Staff salaries and benefits (included in operating expenses)	**14,494,841**	13,387,584
Staff bonus (included in other expenses) (net)	**1,177,136**	1,686,547
	15,671,977	15,074,131

22 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 82,095,407 (2005 – AED 319,008,757) and the weighted average number of ordinary shares in issue during the year of 120,000,000 shares (2005 – 120,000,000 shares).

The earnings per share for 2005 have been restated to reflect the bonus issue during the year in accordance with the requirements of International Accounting Standard 33.

23 Cash and cash equivalents

	2006	2005
	AED	AED
Term deposits	**40,000,000**	23,019,000
Bank and cash	**34,749,442**	24,492,909
	74,749,442	47,511,909

24 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 2006 (continued)

24 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	2002 and earlier	2003	2004	2005	2006	Total
At the end of the reporting year	115,020,353	74,536,809	68,462,270	39,574,085	75,830,785	
One year later	109,754,063	71,551,080	82,653,987	59,717,326	-	
Two years later	122,552,586	70,448,610	85,400,660	-	-	
Three years later	103,409,190	63,440,191	-	-	-	
Four years later	91,524,367	-	-	-	-	
Current estimate of cumulative claims	91,524,367	63,440,191	85,400,660	59,717,326	75,830,785	375,913,329
Cumulative payments to date	(77,427,645)	(54,124,796)	(49,251,572)	(32,912,387)	-	(213,716,400)
Liability recognized in the balance sheet	14,096,722	9,315,395	36,149,088	26,804,939	75,830,785	162,196,929

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the net profit of the Company amounts to 29% for the year ended 31 December 2006. 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’s net commission earnings predominantly from the reinsurance placement 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.

24 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 2006 (continued)

24 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:

			2006 **Type of risk**	
Territory		**Marine**	**Non-marine**	**Total**
UAE	Gross	**23,373,045,932**	**53,682,370,864**	**77,055,416,797**
	Net	**1,053,397,057**	**6,306,673,082**	**7,360,070,139**
GCC countries	Gross	**11,349,541**	**3,747,634,075**	**3,758,983,615**
	Net	**567,477**	**433,348,509**	**433,915,986**
Others	Gross	**1,542,526,481**	**1,351,729,440**	**2,894,255,921**
	Net	**4,917,761**	**206,375,382**	**211,283,143**
Total	Gross	**24,926,961,954**	**58,781,734,379**	**83,708,656,332**
	Net	**1,058,882,295**	**6,946,396,973**	**8,006,279,268**

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

			2005 Type of risk	
Territory		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

Notes to the financial statements for the year ended 31 December 2006 (continued)

25 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.

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.

25 Financial instruments (continued)

(d) Currency risk

A significant portion of investments in securities amounting to AED 193,185,330 (2005 – AED 238,940,853) 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 43,059,863 (2005 – AED 30,567,361). 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 price risk

Market price 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.

26 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 2006 (continued)

26 Segment information (continued)

Primary segment information (continued)

	2006 Underwriting AED	2006 Investments AED	2006 Total AED	2005 Underwriting AED	2005 Investments AED	2005 Total AED
Segment revenue	**383,997,821**	**63,007,374**	**447,005,195**	350,570,649	288,708,453	639,279,102
Segment result	**23,759,408**	**61,706,457**	**85,465,865**	35,506,251	287,364,282	322,870,533
Unallocated costs (net)			**(2,370,458)**			(3,861,776)
Net profit for the year			**83,095,407**			319,008,757
Segment assets	**375,154,844**	**1,137,469,381**	**1,512,624,225**	294,621,658	1,610,580,372	1,905,202,030
Unallocated assets			**34,749,442**			24,492,909
Total assets			**1,547,373,667**			1,929,694,939
Segment liabilities	**437,633,480**	**1,947,018**	**439,580,498**	351,816,252	1,908,385	353,724,637
Unallocated liabilities			**5,028,515**			4,185,890
Total liabilities			**444,609,013**			357,910,527

There are no transactions between the business segments.

Notes to the financial statements for the year ended 31 December 2006 (continued)

26 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 2006 AED	Revenue 2005 AED	**Total assets 2005 AED**	Total assets 2005 AED
United Arab Emirates	**393,227,506**	608,592,528	**1,311,128,474**	1,660,186,725
U.S.A.	**23,804,462**	10,332,405	**193,185,330**	238,940,853
Europe	**29,973,227**	20,354,169	**43,059,863**	30,567,361
	447,005,195	639,279,102	**1,547,373,667**	1,929,694,939

27 Contingent liabilities

At 31 December 2006, the Company had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 2,409,216 (2005 - AED 3,623,991).

28 Commitments

At 31 December 2006, the Company had outstanding commitments to invest in unlisted overseas securities amounting to AED 49,623,758 (2005 – AED 82,442,554).

29 Comparative figures

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

30 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting on 14 February 2007.