EMIRATES INSURANCE COMPANY P.S.C.

Reports and financial statements for the year ended 31 December 2007

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Reports and financial statements
for the year ended 31 December 2007

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 Rashed Al Naseri
	H.E. Abdulla Ali Al Saadi
Chief Executive Officer	**Mr. Jason Light**
Chief Financial Officer	**Mr. Aart Lehmkuhl**
Auditors	**Deloitte & Touche**

BOARD OF DIRECTORS'
2007 ANNUAL REPORT

Dear Shareholders

On behalf of the Board of Directors, it is my pleasure to present the annual report of Emirates Insurance Company (EIC) detailing the progress we have made across our business for the fiscal year ended 31 December 2007.

Macro Economic Picture

The long spell of economic growth enjoyed throughout the GCC continued in 2007. In the UAE the continuation of higher oil prices and a booming non oil sector has contributed to economic growth rate of 7.1%. The insurance industry in the UAE has correspondingly enjoyed significant growth in its premium base as major government and private sector projects were launched, the built environment ready for user occupation increased exponentially and an increasingly wealthy population purchased more insurance than ever before.

Investment Performance

I am pleased to report a growth of 27.7% in our shareholders equity to AED 1.408 billion (2006: AED 1.102 billion). Good earnings growth in both our public and private equity portfolio has made an encouraging investment contribution of AED 89.6 million (2006: AED 59.3 million) this year.

Insurance Market

The positive overall growth in national premium income to some degree disguises what remains an intensely competitive insurance pricing environment. Growth in premium turnover is achievable, but corresponding increases in underwriting profitability cannot be guaranteed. It is especially pleasing therefore to be able to announce strong results from top lines, underwriting and investment performance. Together this has permitted us to achieve a record breaking AED 489 million GWPI in 2007 (AED 342 million, 2006) with a net profit of AED 136 million (AED 83 million, 2006). Within our overall result the contribution from underwriting has increased from AED 24 million to AED 46 million (growth of 94.1%).

This strong set of results enables the board of directors to recommend an increase in dividend from 50 fils per share (2006) to 75 fils.

BOARD OF DIRECTORS'
2007 ANNUAL REPORT (CONTINUED)

Organisation

2007 marked the continuing implementation of recommendations made to the Board by the management consulting firm, Boston Consulting Group. One of the most important areas of recommendation was the recruitment of experienced employees at a senior level. As part of this effort, I am pleased that Mr. Jason Light joined the company as Chief Executive Officer in May 2007. Mr. Light brings more than 25 years experience in the operation of insurance companies having held leadership positions in the London Market, Japan and Middle East. His appointment completed the overhaul of our senior management structure which had already been strengthened by external recruitment and internal promotions in the areas of Finance, Marketing, Operations and Underwriting.

The Board of Directors is proposing to allocate the net profit as follows:

	AED
Board of Directors' fee	1,400,000
General Reserves	45,000,000
Total allocations	46,400,000
Less: accumulated profits brought forward	(3,714,846)
Add: accumulated profits carried forward to the next year	93,069,196
	135,754,350

Our Thanks

It gives me pleasure to express the appreciation of the Board of Directors towards our shareholders for their support and confidence. I must also thank the members of the board as well as the Executive Committee for their steadfast dedication and belief in EIC and its future. The excellent performance delivered by the company in the year ended 31 December 2007, is due in large part to the commitment of the management of EIC and its employees. On behalf of our shareholders I thank the management of EIC and its entire staff.

In the near quarter century of its existence, EIC has been exceptionally fortunate to develop and maintain a range of direct customer relationships with major local institutions and companies. In addition we enjoy the support of many national and international insurance brokers who work with us as fellow insurance professionals in the service of our clients. To all our customers and brokers I offer my thanks and appreciation for their support in 2007.

BOARD OF DIRECTORS'
2007 ANNUAL REPORT (CONTINUED)

The Board of Directors would also like to express sincere appreciation to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, UAE President and Ruler of Abu Dhabi, His Highness Sheikh Mohamad Bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, and His Highness General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, for their invaluable support to the UAE business community and economic interests of the country. Moreover, we shall not forget to pay tribute to the memory of the late Sheikh Zayed Bin Sultan Al Nahyan and the late Sheikh Maktoum Bin Rashid Al Maktoum for their remarkable vision. The UAE owes them its miraculous developments and achievements.

Yours sincerely,

Abdullah Mohammed Al Mazrui
Chairman of the Board of Directors
17 February 2008

CHIEF EXECUTIVE OFFICER'S REPORT

Chief Executive Officer's Report

Dear Shareholders, business associates and fellow employees.

2007 was a year of both considerable achievement and considerable change at EIC. Our excellent results are outlined below and elsewhere in this report.

As far as change is concerned, 2007 saw

- Significant changes to our senior management and governance structure.
- Structural improvements in our underwriting and customer service organizations.
- Marketing was for the first time recognized as an important and distinct discipline within the company.
- Our Dubai operation was also comprehensively reorganized to meet the demands of that critical market and now makes a strong contribution to our overall result.

As far as our results for 2007 are concerned, I would like to particularly highlight:

- Premium Income increased by 42.8% to AED 489 million.
- Net Underwriting income increased by 94.1% to AED 46.2 million.
- Net Investment income increased by 52.5% to AED 94.1 million.
- Net Profit for the year increased to AED 135.8 million or a 63.4% increase.
- Total net assets increased to AED 2.095 million representing a 35.4% increase.
- Shareholders' Equity increased by 27.7% to AED 1.408 million.
- Earnings per share increased to 113 fils from 69 fils for 2006.

The quality of the results (strong both in comparison to our historic performance as well as that of our peers) is a testament to the dedication and professionalism of our staff and the support we have received from our customers, brokers, advisors and reinsurers.

I must also pay tribute to the guidance provided to the company by our chairman, Mr. Abdullah M. Mazrui and his fellow board members.

Underwriting Operations Report

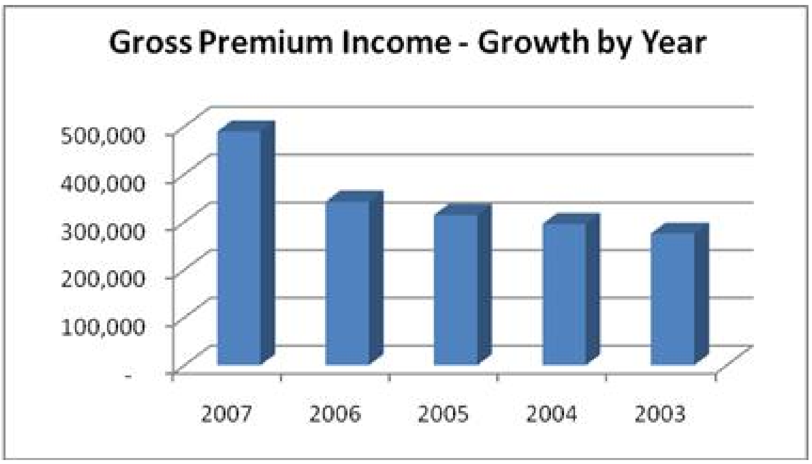
Strong premium income growth was reported across the company.

Total premium income increased by 43%. Motor and Marine premium income grew in the same relation to the overall growth of the company. Life & Medical increased by 126% while Fire, General Accident and Engineering increased by 32%.

Our growth is attributable to a more focused marketing strategy and to improvements in business flows from the broker community during the year.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

Gross Premium Income: AED Million	**2007 Premium Income**	**% Age of Total**	**2006 Premium Income**	**% Age of Total**
Motor	124	25%	83	24%
Marine	55	11%	42	12%
Life & Medical	52	11%	23	7%
Fire, General Accident, Engineering	258	53%	195	57%
	489	100%	342	100%

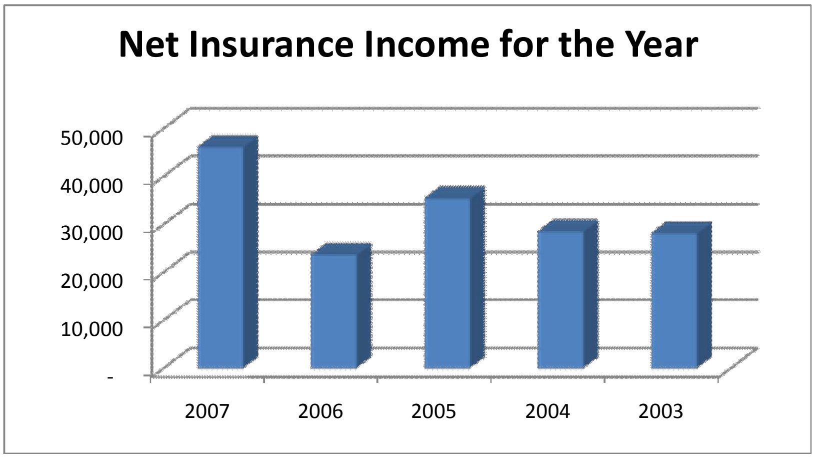


Underwriting Result by Class of Business	**2007**	**2006**
Motor	9.4%	(8.4)%
Marine	12.7%	18.0%
Life & Medical	2.3%	12.2%
Fire, General Accident, Engineering	10.1%	10.4%
Overall Underwriting %	9.4%	6.9%

All areas of our account preformed satisfactory. Our Net Underwriting margin increased from 6.9% in 2006 to 9.4% in 2007.

This is a particularly pleasing improvement given the extremely challenging market environment in the UAE which offers some of the most competitively priced insurance products in the world.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)



I am pleased to record the significant improvement in our motor portfolio. A number of steps were taken in 2007 to improve its risk profile and I am delighted this has translated into a creditable 9.4% profit.

In common with many insurers, margins in medical insurance have reduced. EIC remains a cautious and conservative participant in this arena and we remain focused on improving our result in this segment.

Investments:

During 2007 we embarked on a review of our investment and treasury strategy in an effort to align them more closely with the financial requirements of an insurance business and to determine an appropriate risk profile across the portfolio. Of necessity this is a long term project which cannot be prudently managed in a few months.

One of the objectives of the new policy is to ensure that the net insurance liabilities are covered by cash instruments to ensure liquidity in case of large and unexpected events.

The increase in cash or cash equivalents is directly as a result of the revised policy.

The Private Equity investments performed well during the year whilst the unexpected write-down of the Maplewood investment was provided for in full. The value of the investment in "The National Investor" also declined significantly during the year and the provision was made accordingly.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

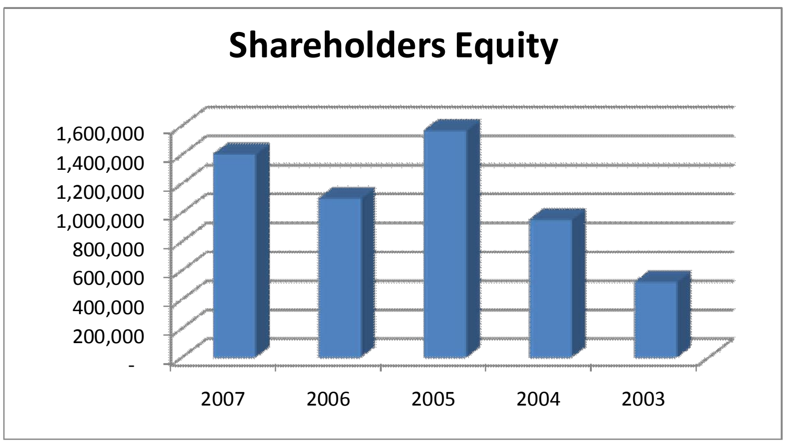
Net Profit:

Overall, I am pleased to report a net profit of AED 136 million compared to net profit of AED 83 million at the end of 2006.

Composition of Net Profit:

	2007	%	2006	%
Insurance	46.1	34%	23.7	29%
Investments	89.6	66%	59.3	71%
	135.7		83.0	

Shareholders:



Shareholders Equity increased by 27.7% to AED 1.408 Billion (2006: AED 1.103 Billion). The growth is attributable to the strong operational and investment performance and the recovery of the securities market during 2007. I am therefore pleased to report an increase in the proposed dividend to shareholders from 50 fils per share (2006) to 75 fils.

Internal Governance

2007 saw the implementation of an internal governance and control system (in part prepared by Boston Consulting Group) which brings our operation into line with international insurance company standards.

The Executive Committee comprising the Chief Financial Officer, Chief Operating Officer and Chief Marketing Officer meet regularly under my chairmanship and is the main mechanism by which the day to day operations of the company are managed.

I also chair the Underwriting Review Committee (non-motor) and the Motor Review Committee. As their names suggest these committees review and approve underwriting performance and strategies and where necessary take major underwriting decisions.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

Internal Governance (continued)

We have also appointed a company wide Risk Committee under the chairmanship of the CFO to better formulate and coordinate our enterprise risk management activities.

2008

The prospects for continued growth look encouraging and I am confident that the EIC team can build on their success in 2007 and move forward once more in the New Year.

Yours faithfully,

Jason Light
Chief Executive Officer
17 February 2008

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 2007, 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 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 2007, 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), the UAE Federal Law No. (9) of 1984 (as amended) concerning Insurance Companies and Agents 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.

Deloitte & Touche

Saba Y. Sindaha
Registration Number 410
17 February 2008

Balance sheet
as at 31 December 2007

	Notes	2007 AED	2006 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,029,192	6,872,888
Investment properties	6	4,866,265	426,052
Available for sale investments	7	1,319,941,086	1,058,921,502
Statutory deposit	8	7,500,000	7,500,000
Total non-current assets		1,335,336,543	1,073,720,442
Current assets			
Re-insurance contract assets	10	443,898,415	257,017,534
Insurance and other receivables	11	141,949,155	115,694,981
Term deposits	12	99,256,568	40,000,000
Investments held for trading	7	24,907,181	25,236,574
Prepayments		602,212	954,694
Bank and cash		48,938,895	34,749,442
Total current assets		759,552,426	473,653,225
Total assets		2,094,888,969	1,547,373,667
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	120,000,000	120,000,000
Legal reserve	14	60,000,000	60,000,000
General reserve	15	420,000,000	375,000,000
Investment revaluation reserve	7	714,542,694	484,049,808
Retained earnings		93,069,196	63,714,846
Total capital and reserves		1,407,611,890	1,102,764,654
Non-current liabilities			
End of service benefits	17	5,896,184	4,738,881
Current liabilities			
Insurance contract liabilities	10	554,052,203	336,916,451
Insurance and other payables	18	82,287,126	69,123,018
Re-insurance deposit retained		37,101,864	28,136,172
Accruals and deferred income		7,939,702	5,694,491
Total current liabilities		681,380,895	439,870,132
Total equity and liabilities		2,094,888,969	1,547,373,667

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Chairman of the Board **Chief Executive Officer**

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

Income statement
for the year ended 31 December 2007

	Notes	2007 AED	2006 AED
Gross premiums written		**489,085,565**	342,599,012
Change in unearned premium deferred		**(38,456,187)**	(31,515,144)
Premium income earned		**450,629,378**	311,083,868
Reinsurance premiums ceded		**(350,053,807)**	(249,594,211)
Change in reinsurance portion of unearned premium deferred		**15,770,948**	24,323,838
Reinsurance premium ceded		**(334,282,859)**	(225,270,373)
Net insurance premium revenue		**116,346,519**	85,813,495
Gross claims incurred		**(300,855,446)**	(135,168,086)
Reinsurance share of claims incurred		**226,804,624**	66,121,258
Net claims incurred		**(74,050,822)**	(69,046,828)
Commission expenses		**(26,875,809)**	(15,245,206)
Commission income		**57,273,721**	41,398,809
Operating expenses	**19**	**(26,501,938)**	(19,160,862)
Net underwriting income		**46,191,671**	23,759,408
Net investment income	**20**	**94,132,144**	61,706,457
Other expenses (net)	**21**	**(4,569,465)**	(2,370,458)
Net profit for the year	**22**	**135,754,350**	83,095,407
Basic earnings per ordinary share	**23**	**1.13**	0.69

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

Statement of changes in equity
for the year ended 31 December 2007

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2006	**90,000,000**	**45,000,000**	**370,000,000**	**989,764,973**	**77,019,439**	**1,571,784,412**
Net profit for the year	-	-	-	-	83,095,407	83,095,407
Bonus share issue for the year 2005	30,000,000	-	-	-	(30,000,000)	(30,000,000)
Dividends paid for the year 2005	-	-	-	-	(45,000,000)	(45,000,000)
Realised gain on sale of available for sale investments	-	-	-	(1,065,694)	-	(1,065,694)
Decrease 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)	-
Directors' remuneration	-	-	-	-	(1,400,000)	(1,400,000)
Balance at 1 January 2007	**120,000,000**	**60,000,000**	**375,000,000**	**484,049,808**	**63,714,846**	**1,102,764,654**
Net profit for the year	-	-	-	-	135,754,350	135,754,350
Dividends paid for the year 2006	-	-	-	-	(60,000,000)	(60,000,000)
Realised gain on sale of available for sale investments	-	-	-	(45,270,396)	-	(45,270,396)
Increase in fair value of available for sale investments (note 7)	-	-	-	275,763,282	-	275,763,282
Transfer to general reserve	-	-	45,000,000	-	(45,000,000)	-
Directors' remuneration	-	-	-	-	(1,400,000)	(1,400,000)
Balance at 31 December 2007	**120,000,000**	**60,000,000**	**420,000,000**	**714,542,694**	**93,069,196**	**1,407,611,890**

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

Statement of cash flows
for the year ended 31 December 2007

	2007 AED	2006 AED
Cash flows from operating activities		
Net profit for the year	**135,754,350**	83,095,407
Adjustments for:		
Net movement in reinsurance contract assets	**(186,880,881)**	(31,810,894)
Net movement in insurance contract liabilities	**217,135,752**	47,149,050
Net investment income	**(94,132,144)**	(61,706,457)
Depreciation of property, plant and equipment	**1,156,854**	710,765
Gain on disposal of property, plant and equipment	**(4,357)**	(88,532)
Net transfer to end of service benefit	**1,157,303**	(1,302,286)
Cash flows from operating activities before movement in working capital	**74,186,877**	36,047,053
(Increase)/decrease in working capital:		
Insurance and other receivables	**(29,569,777)**	(46,854,791)
Prepayments	**352,482**	(406,944)
Insurance and other payables	**11,764,107**	34,595,212
Reinsurance deposit retained	**8,965,692**	4,434,486
Accruals and deferred income	**2,076,667**	383,391
Net cash provided from operating activities	**67,776,048**	28,198,407
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	**92,165,256**	34,046,273
Net purchase of investments excluding bonus shares received in lieu of dividend and amounts re-invested in trading investments	**(24,066,203)**	12,075,643
Purchase of property, plant and equipment	**(2,435,138)**	(2,193,614)
Proceeds from disposal of property, plant and equipment	**6,058**	110,824
Net cash provided from investing activities	**65,669,973**	44,039,126

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

Statement of cash flows
for the year ended 31 December 2007 (continued)

	2007	2006
	AED	AED
Cash flows from financing activities		
Dividends paid	**(60,000,000)**	(45,000,000)
Net increase in cash and cash equivalents	**73,446,021**	27,237,533
Cash and cash equivalents at beginning of the year	**74,749,442**	47,511,909
Cash and cash equivalents at end of the year (note 24)	**148,195,463**	74,749,442

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

Notes to the financial statements
for the year ended 31 December 2007

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, concerning Insurance Companies and Agents, and is registered in the Insurance Companies Register under registration No.2.

The Company's principal activity is the writing of general insurance and reinsurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain and Jebel Ali Freezone. The registered address of the company is P.O. Box 3856, Abu Dhabi, United Arab Emirates.

2 Adoption of new and revised Standards

2.1 Standards and interpretation effective in the current period

In the current year, the Company has adopted IFRS 7 *Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements relating to the Company's financial instruments and management of capital (see note 26). In accordance with the transitional requirements of the amendments, the Company has provided full comparative information. Certain comparative amounts have been reclassified to conform to the current year presentation.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period as follows:

- IFRIC 7: *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*
- IFRIC 8: *Scope of IFRS 2*
- IFRIC 9: *Reassessment of Embedded Derivatives; and*
- IFRIC 10: *Interim Financial Reporting and Impairment*

The adoption of these Interpretations has not led to any changes in the Company's accounting policies.

Notes to the financial statements
for the year ended 31 December 2007 (continued)

2 Adoption of new and revised Standards (continued)

2.2 Standards and interpretations in issue not yet adopted

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

- IFRS 8 — *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009)
- IAS 23 (Revised) — *Borrowing Costs* (effective for accounting periods beginning on or after 1 January 2009)
- IAS 1 (Revised) — *Presentation of Financial Statements* (effective for accounting periods on or after 1 January 2009)
- IFRIC 11 — *Group and Treasury Share Transactions* (effective for accounting periods beginning on or after 1 March 2007)
- IFRIC 12 — *Service Concession Arrangements* (effective for accounting periods beginning on or after 1 January 2008)
- IFRIC 13 — *Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 January 2008)
- IFRIC 14 — *The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction* (effective for accounting periods beginning on or after 1 January 2008)

The Directors anticipate that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3 Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of U.A.E Federal Law No.9 of 1984, as amended, concerning Insurance Companies and Agents.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of financial instruments. The principal accounting policies are set out below:

3 Summary of significant accounting policies (continued)

Insurance contracts

Definition

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 25% more than the benefits payable if the insured event did not occur.

Recognition and measurement

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

These contracts are casualty and property insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

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

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

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

Notes to the financial statements
for the year ended 31 December 2007 (continued)

3 Summary of significant accounting policies (continued)

Insurance contracts (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. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. The Company assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss.

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 and is estimated using the $1/24^{th}$ method for all lines of business. The unearned premium calculated by the above method (after reducing the reinsurance share) complies with the minimum unearned premium amounts to be maintained using the 25% and 40% method for marine and non-marine business respectively, as required by U.A.E. Federal Law No. 9 of 1984, as amended, concerning Insurance Companies and Agents. The unearned premium calculated by the 1/24th method accounts for the estimated acquisition costs incurred by the Company to acquire policies and defers these over the life of the policy.

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

Salvage and subrogation reimbursements

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

3 Summary of significant accounting policies (continued)

Insurance contracts (continued)

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 profit or loss initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

Receivables and payables related to insurance contracts

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

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

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of income during the financial period in which they are incurred.

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 estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the financial statements
for the year ended 31 December 2007 (continued)

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 which are properties held to earn rentals and or for capital appreciation, 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.

Impairment of tangible assets

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). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Notes to the financial statements
for the year ended 31 December 2007 (continued)

3 Summary of significant accounting policies (continued)

Impairment of tangible assets (continued)

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

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

Provisions

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

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

Employee benefits

Accrual is made for the full amount of end of service benefits due to non-UAE national employees in accordance with UAE Labour Law, for their period of service up to the balance sheet date.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (7), 1999 for Pension and Social Security. Such contributions are charged to the statement of income during the employees' period of service.

3 Summary of significant accounting policies (continued)

Financial assets

The Company has the following financial assets: 'cash and cash equivalents', 'loans and receivables' 'available-for-sale' (AFS) financial assets and financial assets at fair value through profit or loss (FVTPL). The classification depends on the nature and of the financial asset and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents are comprised of bank and cash in current accounts or deposits which mature within three months of placement.

Insurance receivables

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

AFS financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Available-for-sale investments are measured at subsequent reporting dates at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are included in the net profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial assets is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short- term profit taking.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Impairment of financial assets

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

For unquoted shares classified as AFS at cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

Derecognition of financial assets

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

Classification as debt or equity

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

Equity instruments

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

3 Summary of significant accounting policies (continued)

Financial liabilities

Insurance payables

Insurance payables are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

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

Dividend distribution

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

Revenue recognition

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

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease and is stated net of related depreciation and other expenses.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable. For held to maturity securities which have variable rates of return, the minimum guaranteed return is recognised in the income statement using the effective interest rate method. Returns in excess of the minimum guaranteed return, if any, are recognised on maturity.

Notes to the financial statements
for the year ended 31 December 2007 (continued)

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Dividend income

Dividend income is recognised when the Company's right to receive the payment has been established

Commission income and expenses

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

Foreign currencies

For the purpose of these financial statements, U.A.E Dirhams (AED) is the functional and the presentation currency of the Company.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in income statement in the period in which they arise.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

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

4 Critical accounting judgements and key sources of estimation of uncertainty

In the process of applying the Company's accounting policies, which are described in Note 3, management has made judgements that have the most significant effect on the amounts recognised in the financial statements and applied certain assumptions, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as FVTPL - held for trading or available-for-sale.

The Company classifies investments as FVTPL - held for trading if they are acquired primarily for the purpose of making a short term profit by the dealers. Other investments are classified as available-for-sale.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of financial assets

The Company determines whether available for sale financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether an impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Notes to the financial statements for the year ended 31 December 2007 (continued)

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

Key sources of estimation uncertainty

The ultimate liability arising from claims made under insurance contracts

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

Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2007 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

Liability adequacy test

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

Notes to the financial statements
for the year ended 31 December 2007 (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 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)
1 January 2007	2,446,496	33,900	3,582,054	4,618,067	10,680,517
Additions	911,718	375,275	645,933	502,212	2,435,138
Transfer to investment properties	-	-	-	(5,120,279)	(5,120,279)
Disposals	(255,499)	-	(165,791)	-	(421,290)
31 December 2007	**3,102,715**	**409,175**	**4,062,196**	**-**	**7,574,086**
Accumulated depreciation					
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)
1 January 2007	1,346,127	33,900	2,427,602	-	3,807,629
Charge for the year	619,994	53,634	483,226	-	1,156,854
Disposal	(253,798)	-	(165,791)	-	(419,589)
31 December 2007	**1,712,323**	**87,534**	**2,745,037**	**-**	**4,544,894**
Carrying amount					
31 December 2007	**1,390,392**	**321,641**	**1,317,159**	**-**	**3,029,192**
31 December 2006	1,100,369	-	1,154,452	4,618,067	6,872,888

Notes to the financial statements
for the year ended 31 December 2007 (continued)

6 Investment properties

	Abu Dhabi building AED	Al Ain building AED	Mussafah building AED	Total AED
Cost				
1 January 2006 and 1 January 2007	25,407,554	6,955,406	-	32,362,960
Additions (Note 5)	-	-	5,120,279	5,120,279
31 December 2007	**25,407,554**	**6,955,406**	**5,120,279**	**37,483,239**
Accumulated depreciation				
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
Charge for the year	-	424,052	256,014	680,066
31 December 2007	**25,406,554**	**6,954,406**	**256,014**	**32,616,974**
Carrying amount				
31 December 2007	**1,000**	**1,000**	**4,864,265**	**4,866,265**
31 December 2006	1,000	425,052	-	426,052

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 (2006 – AED 54,150,000).

Notes to the financial statements
for the year ended 31 December 2007 (continued)

6 Investment properties (continued)

(b) Al Ain building

The construction of this building was completed during 1992. The Company is utilizing 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 (2006 – AED 9,500,000).

(c) Musafah building

The construction of this building was completed during 2007. The company is utilizing half of the warehouse area for storage purposes with the remaining warehouse area available for letting to third parties. The front side of the building is being proposed for the set up of a new branch.

Land for the construction of properties (a) & (b) has been allotted free of cost by the Executive Council of Abu Dhabi and (c) on long term lease from Abu Dhabi Municipality & Twon Planning Department.

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 that are not related to the Company, on an open market value basis as at 6 February 2007. 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, part of which is leased out under operating leases, and the direct operating expenses arising on the investment are as follows:

	2007	2006
	AED	AED
Rental income	**4,183,023**	3,638,471
Direct operating expenses	**(1,331,445)**	(1,300,917)
	2,851,578	2,337,554

7 Investments in securities

Available for sale investments

	2007 AED	2006 AED
Balance at 1 January	**1,058,921,502**	1,486,493,011
Additions during the year	**93,236,589**	98,005,932
Disposals during the year	**(107,980,287)**	(20,009,720)
Increase/(decrease) in fair value	**275,763,282**	(504,649,471)
Less: Provision for impaired investment	**-**	(918,250)
Balance at 31 December	**1,319,941,086**	1,058,921,502

The fair value of these investments comprised the following:

	2007 AED	2006 AED
Investment in quoted UAE securities	**1,031,807,362**	761,386,504
Investment in unquoted UAE securities	**46,531,601**	83,328,227
Investment in other securities	**241,602,123**	214,206,771
	1,319,941,086	1,058,921,502

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.

The investments in unquoted UAE securities are carried at cost, which in the Directors' opinion, represent the fair value at the balance sheet date.

Investment in other securities comprises of investment in unquoted 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.

Notes to the financial statements
for the year ended 31 December 2007 (continued)

7 Investments in securities (continued)

Investments held for trading

	2007 AED	2006 AED
Balance at 1 January	**25,236,574**	93,368,498
Additions during the year	**3,489,350**	3,702,221
Disposals during the year	**(3,488,251)**	(72,334,064)
(Decrease)/increase in fair value (Note 20)	**(330,492)**	499,919
Fair value at 31 December	**24,907,181**	25,236,574

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), concerning 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.

9 Related party transactions

Related parties are those entities in which the Directors of the Company have a significant interest.

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

	2007 AED	2006 AED
Due from policyholders	**2,498,501**	1,873,415
Due to policyholders	**67,600**	38,388

9 Related party transactions (continued)

The Company does not have any past history of significant defaults of balances due from related parties and other receivables since the majority of the counter-parties are parties owned by the shareholders. The provision for impairment of balances due from related parties and other receivables at 31 December 2007 is AED Nil (2006: AED Nil).

Transactions

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

	2007 AED	2006 AED
Gross premiums written	**6,018,424**	4,952,072
Claims paid	**1,548,183**	1,246,811
Directors remuneration	**1,400,000**	1,400,000
Remuneration of key management personnel	**8,308,203**	5,298,491

The remuneration of Directors is accrued and paid as an appropriation out of the profits of the year. The remuneration of directors is subject to approval by the Shareholders and as per limits set by the Commercial Companies Law No. 8 of 1984, as amended.

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

Notes to the financial statements
for the year ended 31 December 2007 (continued)

10 Insurance contract liabilities and re-insurance contract assets

	2007 AED	2006 AED
Insurance liabilities		
- Claims reported unsettled	**291,530,842**	145,266,335
- Claims incurred but not reported	**49,345,652**	16,930,594
- Unearned premiums	**213,175,709**	174,719,522
	554,052,203	336,916,451
Recoverable from re-insurers		
- Claims reported unsettled	**257,412,532**	116,316,698
- Claims incurred but not reported	**43,570,653**	13,556,554
- Unearned premiums	**142,915,230**	127,144,282
	443,898,415	257,017,534
Insurance liabilities - net		
- Claims reported unsettled	**34,118,310**	28,949,637
- Claims incurred but not reported	**5,774,999**	3,374,040
- Unearned premiums	**70,260,479**	47,575,240
	110,153,788	79,898,917

Notes to the financial statements
for the year ended 31 December 2007 (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:

	2007			2006		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	AED	**AED**	**AED**	AED	AED	AED
Claims						
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 beginning of the year	**162,196,929**	**129,873,252**	**32,323,677**	146,563,023	122,386,196	24,176,827
Claims settled in the year	**(122,175,881)**	**(55,694,691)**	**(66,481,190)**	(119,534,180)	(58,634,202)	(60,899,978)
Increase in liabilities	**300,855,446**	**226,804,624**	**74,050,822**	135,168,086	66,121,258	69,046,828
Total at the end of the year	**340,876,494**	**300,983,185**	**39,893,309**	162,196,929	129,873,252	32,323,677
Notified claims	**291,530,842**	**257,412,532**	**34,118,310**	145,266,335	116,316,698	28,949,637
Incurred but not reported	**49,345,652**	**43,570,653**	**5,774,999**	16,930,594	13,556,554	3,374,040
Total at the end of the year	**340,876,494**	**300,983,185**	**39,893,309**	162,196,929	129,873,252	32,323,677
Unearned premium						
Total at the beginning of the year	**174,719,522**	**127,144,282**	**47,575,240**	143,204,378	102,820,444	40,383,934
Increase in the year	**213,175,709**	**142,915,230**	**70,260,479**	174,719,522	127,144,282	47,575,240
Release in the year	**(174,719,522)**	**(127,144,282)**	**(47,575,240)**	(143,204,378)	(102,820,444)	(40,383,934)
Net increase during the year	**38,456,187**	**15,770,948**	**22,685,239**	31,515,144	24,323,838	7,191,306
Total at the end of the year	**213,175,709**	**142,915,230**	**70,260,479**	174,719,522	127,144,282	47,575,240

Notes to the financial statements
for the year ended 31 December 2007 (continued)

11 Insurance and other receivables

	2007 AED	2006 AED
Receivables arising from insurance and re-insurance contracts:		
Due from policyholders	**68,531,927**	60,302,761
Allowance for doubtful debts	**(2,300,000)**	(2,100,000)
	66,231,927	58,202,761
Notes receivables- post dated cheques	**2,304,873**	1,045,897
Due from insurance companies	**69,165,135**	44,260,788
Due from re-insurance companies	**-**	3,549,084
Other receivables	**4,247,220**	8,636,451
	141,949,155	115,694,981

The average credit period is 102 days. No interest is charged on insurance and other receivables. The Company has fully provided for all insurance and other receivables over 720 days because of historical experience is such that receivables that are past due beyond 720 days are generally not recoverable. Included in the Company's insurance and other receivable balances are receivables with a carrying amount of AED 9,763,346 (2006: AED 9,528,389) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in the credit quality of the receivables and the amounts are still considered recoverable.

Before accepting any new customer, the Company assesses the potential customers' credit quality and defines credit limits by customer. In determining the recoverability of an insurance receivable, the Company considers any change in the credit quality of the insurance receivables from the date credit was initially granted up to the reporting date.

Of the due from policyholders balance at the end of year AED 48 million (2006: AED 43 million) is due from the Company's largest customer. There are 579 (2006: 539) other customers who represent more than 29% of the total balance of due from policyholders.

Notes to the financial statements
for the year ended 31 December 2007 (continued)

11 Insurance and other receivables (continued)

Movement in the allowance of doubtful debts:

	2007 AED	2006 AED
Balance at the beginning of the year	**2,100,000**	1,950,000
Impairment loss recognised during the year	**200,000**	150,000
Balance at the end of the year	**2,300,000**	2,100,000

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 5.05% to 5.75%.

13 Share capital

	2007 AED	2006 AED
Authorised:		
120,000,000 shares of AED 1 each	**120,000,000**	120,000,000
Allotted, issued and fully paid:		
120,000,000 shares of AED 1 each	**120,000,000**	120,000,000

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

13 Share capital (continued)

	2007 Number of shares	**2007 AED**	2006 Number of shares	2006 AED
As of January 1	**120,000,000**	**120,000,000**	90,000,000	90,000,000
Bonus issue as of 23 February	**-**	**-**	30,000,000	30,000,000
	120,000,000	**120,000,000**	120,000,000	120,000,000
Balance as of 31 December	**120,000,000**	**120,000,000**	120,000,000	120,000,000

At 31 December 2007, a total of 14,176,000 (2006 – 14,176,000) shares were held by Abu Dhabi Investment Council and 105,824,000 (2006 – 105,824,000) 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

In accordance with the UAE Federal Law number (8) of 1984 (as amended) concerning Commercial Companies and the Company's Articles of Association, 10% of net profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

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 2007 (continued)

16 Proposed cash dividend and bonus shares issue

In respect of the current year, the Board of Directors propose a cash dividend of AED 0.75 per share (2006 – AED 0.50) amounting to AED 90,000,000 (2006 – AED 60,000,000). This dividend is subject to the approval of the Shareholders at the Annual General Meeting.

17 End of service benefits

	2007 AED	2006 AED
Balance at the beginning of the year	**4,738,881**	6,041,167
Amounts charged to income	**1,482,670**	541,555
Amounts paid	**(325,367)**	(1,843,841)
Balance at the end of the year	**5,896,184**	4,738,881

18 Insurance and other payables

	2007 AED	2006 AED
Payables arising from insurance and re-insurance contracts:		
Due to insurance companies	**66,457,301**	29,339,643
Due to re-insurance companies	**-**	715,909
Other insurance payables	**9,542,787**	34,038,950
Provision for Directors' remuneration	**1,400,000**	1,400,000
Unclaimed dividend	**4,887,038**	3,628,516
	82,287,126	69,123,018

The average credit period is 60 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Notes to the financial statements
for the year ended 31 December 2007 (continued)

19 Operating expenses

	2007 AED	2006 AED
Staff costs	**20,084,653**	14,494,841
Depreciation on property, plant and equipment	**1,156,854**	710,765
Rental expenses	**1,230,436**	934,102
Others	**4,029,995**	3,021,154
	26,501,938	19,160,862

20 Net investment income

	2007 AED	2006 AED
Interest on bank deposits	**4,430,734**	240,178
Interest on sukuk	**141,632**	-
Net income from investment properties (note 6)	**2,851,578**	2,337,554
Dividends from available-for-sale investments	**35,244,532**	14,920,268
Income from available-for-sale investments	**6,461,594**	22,505,706
Profit on disposal of available-for-sale investments	**45,017,714**	20,137,138
Profit on disposal of investments held for trading	**314,852**	1,065,694
Unrealised (loss)/gain on investments held for trading	**(330,492)**	499,919
	94,132,144	61,706,457

21 Other expenses (net)

	2007 AED	2006 AED
Exchange (loss)/gain	**(770,545)**	4,875,420
Staff costs	**(4,000,000)**	(1,177,136)
Other expenses (net)	**201,080**	(6,068,742)
	(4,569,465)	(2,370,458)

Notes to the financial statements
for the year ended 31 December 2007 (continued)

22 Net profit for the year

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

	2007 AED	2006 AED
Staff salaries and benefits (included in operating expenses)	**20,084,653**	14,494,841
Staff bonus (included in other expenses)	**4,000,000**	1,177,136
	24,084,653	15,671,977

23 Basic earnings per ordinary share

	2007 AED	2006 AED
Profit for the year (in AED)	**135,754,350**	83,095,407
Weighted number of shares in issue throughout the year	**120,000,000**	120,000,000
Basic earnings per share (in AED)	**1.13**	0.69

Basic earnings per share have been calculated by dividing the profit for the year by the number of shares outstanding as of the balance sheet.

As of 31 December 2007, the Company has not issued any instruments which would have an impact on earnings per share when exercised.

Notes to the financial statements for the year ended 31 December 2007 (continued)

24 Cash and cash equivalents

	2007 AED	2006 AED
Term deposits	**99,256,568**	40,000,000
Bank and cash	**48,938,895**	34,749,442
	148,195,463	74,749,442

25 Insurance risks

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the estimated 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.

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

Notes to the financial statements
for the year ended 31 December 2007 (continued)

25 Insurance risk (continued)

Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an accident year basis for motor and an underwriting year basis for non motor:

Motor - Gross:

Accident year	2003 and earlier AED	2004 AED	2005 AED	2006 AED	2007 AED	Total AED
At the end of the accident year	9,463,489	16,625,965	7,176,629	13,659,797	15,200,379	
One year later	9,650,523	15,444,428	18,045,000	21,704,496	-	
Two years later	15,879,557	12,482,556	20,086,222	-	-	
Three years later	13,507,849	12,369,734	-	-	-	
Four years later	13,042,106	-	-	-	-	
Current estimate of cumulative claims	13,042,106	12,369,734	20,086,222	21,704,496	15,200,379	82,402,937
Cumulative payments to date	(11,386,883)	(11,996,535)	(17,187,124)	(14,152,703)	-	(54,723,245)
Liability recognised in the balance sheet	1,655,223	373,199	2,899,098	7,551,793	15,200,379	27,679,692

Non-Motor - Gross:

Underwriting year	2003 and earlier AED	2004 AED	2005 AED	2006 AED	2007 AED	Total AED
At the end of the underwriting year	131,305,971	51,836,305	32,397,456	62,170,989	133,095,590	
One year later	139,434,786	67,209,560	41,672,326	114,948,186	-	
Two years later	113,007,067	72,918,104	57,031,037	-	-	
Three years later	96,535,124	63,928,373	-	-	-	
Four years later	115,582,805	-	-	-	-	
Current estimate of cumulative claims	115,582,805	63,928,373	57,031,037	114,948,186	133,095,590	484,585,991
Cumulative payments to date	(76,092,496)	(45,192,799)	(25,302,659)	(24,801,232)	-	(171,389,186)
Liability recognised in the balance sheet	39,490,309	18,735,574	31,728,378	90,146,954	133,095,590	313,196,805

Notes to the financial statements
for the year ended 31 December 2007 (continued)

25 Insurance risk (continued)

Frequency and severity of claims

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

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

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 750,000 for marine, AED 250,000 for motor and AED 1,000,000 for others in any one policy. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

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

Notes to the financial statements for the year ended 31 December 2007 (continued)

25 Insurance risk (continued)

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

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

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

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

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The initial estimate of the loss ratios used for the current year before and after reinsurance are analysed below by type of risk where the insured operates for current and prior year premiums earned.

	Year ended 31 December 2007		Year ended 31 December 2006	
Type of risk	**Gross Loss Ratio**	**Net Loss Ratio**	Gross Loss Ratio	Net Loss Ratio
Motor	**52%**	**70%**	77%	101%
Non-Motor	**72%**	**55%**	32%	47%

Notes to the financial statements
for the year ended 31 December 2007 (continued)

25 Insurance risk (continued)

Process used to decide on assumptions

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

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

Concentration of insurance risk

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe and Asia.

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

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

Notes to the financial statements
for the year ended 31 December 2007 (continued)

25 Insurance risk (continued)

Concentration of insurance risk (continued)

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

	Year ended 31 December 2007		Year ended 31 December 2006	
Type of risk	**Gross**	**Net**	Gross	Net
	AED	**AED**	AED	AED
Motor	**1,772,248,072**	**938,454,026**	1,002,637,113	649,543,461
UAE countries	-	-	-	-
GCC countries	-	-	-	-
Others	-	-	-	-
	1,772,248,072	**938,454,026**	1,002,637,113	649,543,461
Non-Motor				
UAE countries	**93,559,939,961**	**10,448,056,897**	77,055,416,796	7,360,070,139
GCC countries	**7,633,614,175**	**705,510,022**	3,758,983,615	433,915,986
Others	**2,178,715,966**	**173,553,715**	2,894,255,921	211,283,143
	103,372,270,102	**11,327,120,634**	83,708,656,332	8,005,269,268
Grand Total	**105,144,518,174**	**12,265,574,660**	84,711,293,445	8,654,812,729

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Company amounts to AED 46,191,671 for the year ended 31 December 2007 (2006: AED 23,759,408). The company does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 28% and the same is mainly contributed by one class of business i.e., Motor line wherein the retention level is 61%. However, in this class the liabilities are adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company has net commission earnings of around 66% of the net underwriting 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 60% - 65% and does not foresee any serious financial impact in the insurance net profit.

26 Financial instruments

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

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

26.1 Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 9 of 1984, as amended, concerning Insurance Companies and Agents. The Company manages its capital on a basis of 150% of its minimum regulatory capital position presented in the table below. Management considers the quantitative threshold of 50% - 75% sufficient to maximise shareholders' return and to support the capital required;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In U.A.E., the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

Notes to the financial statements for the year ended 31 December 2007 (continued)

26 Financial instruments (continued)

26.1 Capital risk management (continued)

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

	2007 AED	2006 AED
Total capital held	**1,407,611,890**	1,102,764,654
Minimum regulatory capital	**50,000,000**	50,000,000

26.2 Significant accounting policies

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

26.3 Categories of financial instruments

	2007 AED	2006 AED
Financial assets		
Statutory deposits	**7,500,000**	7,500,000
Investments held for trading	**24,907,181**	25,236,574
Available for sale financial assets	**1,319,941,086**	1,058,921,502
Re-insurance contract assets	**443,898,415**	257,017,534
Insurance and other receivables	**141,949,155**	115,694,981
Term deposits	**99,256,568**	40,000,000
Bank balances and cash	**48,938,895**	34,749,442
Total	**2,086,391,300**	1,539,120,033
Financial liabilities		
Insurance contract liabilities	**554,052,203**	336,916,451
Insurance and other payables	**82,287,126**	69,123,018
Re-insurance deposits retained	**37,101,864**	28,136,172
Total	**673,441,193**	434,175,641

Notes to the financial statements
for the year ended 31 December 2007 (continued)

26 Financial instruments (continued)

26.4 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.

26.5 Foreign currency risk

A significant portion of investments in securities amounting to AED 226,911,736 (2006 – AED 193,185,330) 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 55,404,003 (2006 – AED 43,059,863). Management considers the exchange risk on these investments to be a normal business risk and hence no hedging has been done for this purpose.

26.6 Credit risk

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

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

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

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

Notes to the financial statements for the year ended 31 December 2007 (continued)

26 Financial instruments (continued)

26.6 Credit risk (continued)

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

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company. Details on concentration of amounts due from policyholders is disclosed in Note 11.

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

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 6% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

26.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As of 31 December 2007, the maturity profile of all financial liabilities disclosed in Note 26.3 is based on existing contractual repayment arrangements of 1 year from balance sheet date.

Notes to the financial statements
for the year ended 31 December 2007 (continued)

26 Financial instruments (continued)

26.8 Interest risk

The Company‘s exposure to interest rate risk relates to its bank deposits. At 31 December 2007, bank deposits carried an interest rate in the range of 5.05% to 5.75% per annum (31 December 2006: 5.25% to 5.95% per annum).

26.9 Equity price risk

Sensitivity analysis

At the balance sheet date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Company's:

- net profit would have increased/decreased by AED 2,490,718 (2006 – increase/decrease by AED 2,523,657).

- Cumulative changes in fair values reserves would increase/decrease by AED 103,180,736 (2006- increase/decrease by AED 76,138,650) for the Company as a result of the changes in fair value of quoted shares.

26.10 Fair value of financial assets and liabilities

The fair value of the Company's financial assets and liabilities approximates their carrying value as stated in the balance sheet.

27 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 2007 (continued)

27 Segment information (continued)

Primary segment information (continued)

	2007 Underwriting AED	**2007 Investments AED**	**2007 Total AED**	2006 Underwriting AED	2006 Investments AED	2006 Total AED
Segment revenue	**546,359,286**	**94,311,153**	**640,670,439**	383,997,821	63,007,374	447,005,195
Segment result	**46,191,671**	**94,132,144**	**140,323,815**	23,759,408	61,706,457	85,465,865
Unallocated costs (net)			**(4,569,465)**			(2,370,458)
Net profit for the year			**135,754,350**			83,095,407
Segment assets	**584,093,722**	**1,461,856,352**	**2,045,950,074**	375,154,844	1,137,469,381	1,512,624,225
Unallocated assets			**48,938,895**			34,749,442
Total assets			**2,094,888,969**			1,547,373,667
Segment liabilities	**678,869,478**	**2,120,563**	**680,990,041**	437,633,480	1,947,018	439,580,498
Unallocated liabilities			**6,287,038**			5,028,515
Total liabilities			**687,277,079**			444,609,013

There are no transactions between the business segments.

Notes to the financial statements
for the year ended 31 December 2007 (continued)

27 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 2007 AED	Revenue 2006 AED	**Total assets 2007 AED**	Total assets 2006 AED
United Arab Emirates	**571,794,957**	393,227,506	**1,829,702,701**	1,311,128,474
U.S.A.	**24,820,428**	23,804,462	**208,950,325**	193,185,330
Europe	**44,055,054**	29,973,227	**56,235,943**	43,059,863
	640,670,439	447,005,195	**2,094,888,969**	1,547,373,667

28 Contingent liabilities

At 31 December 2007, the Company had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 2,659,847 (2006 - AED 2,409,216).

29 Commitments

At 31 December 2007, the Company had outstanding commitments to invest in unlisted overseas securities amounting to AED 42,295,332 (2006 – AED 49,623,758).

30 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting on 17 February 2008.