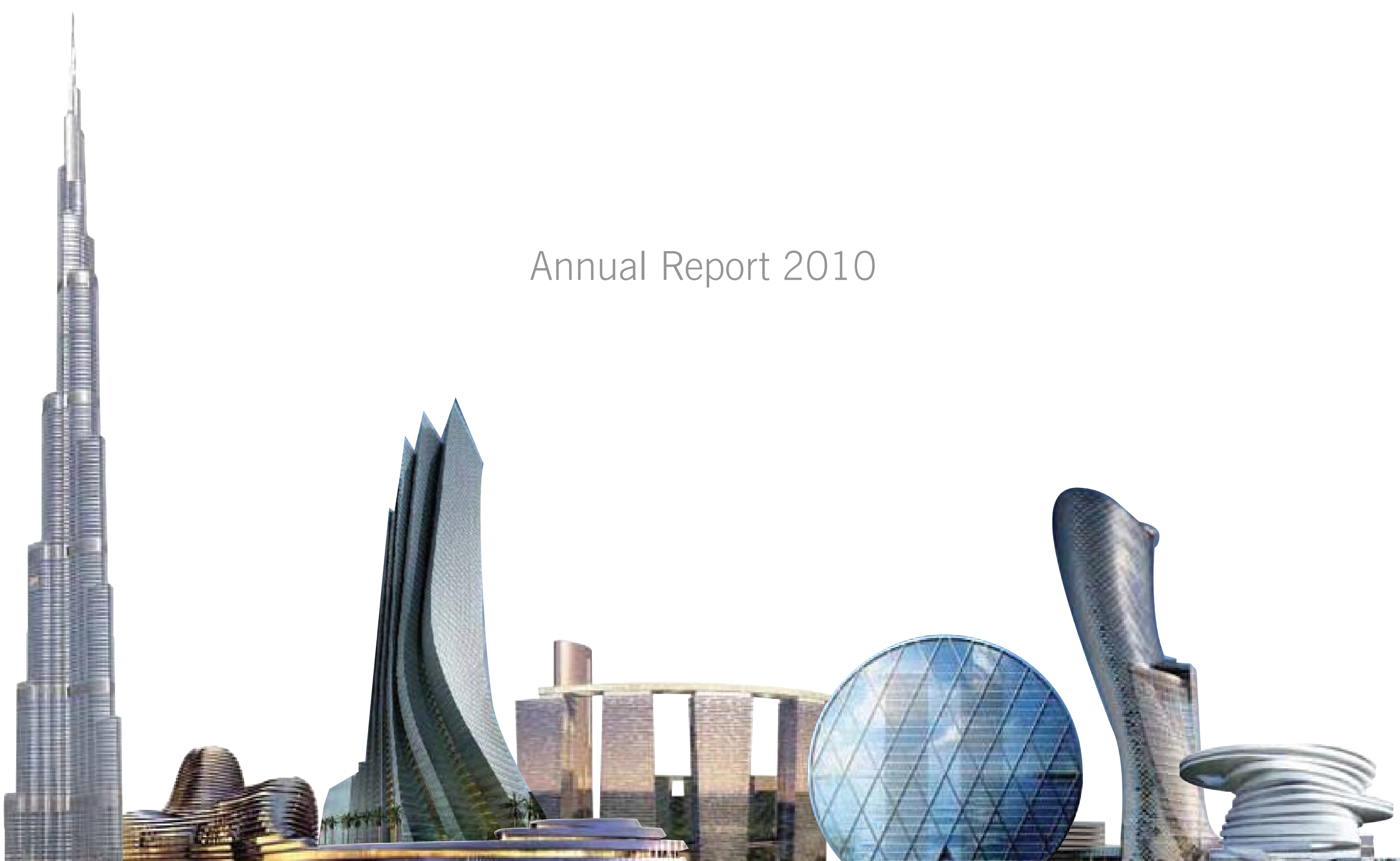
شركة الإمارات للتأمين (ش م ع)

Emirates Insurance Co. (PSC)

Annual Report 2010



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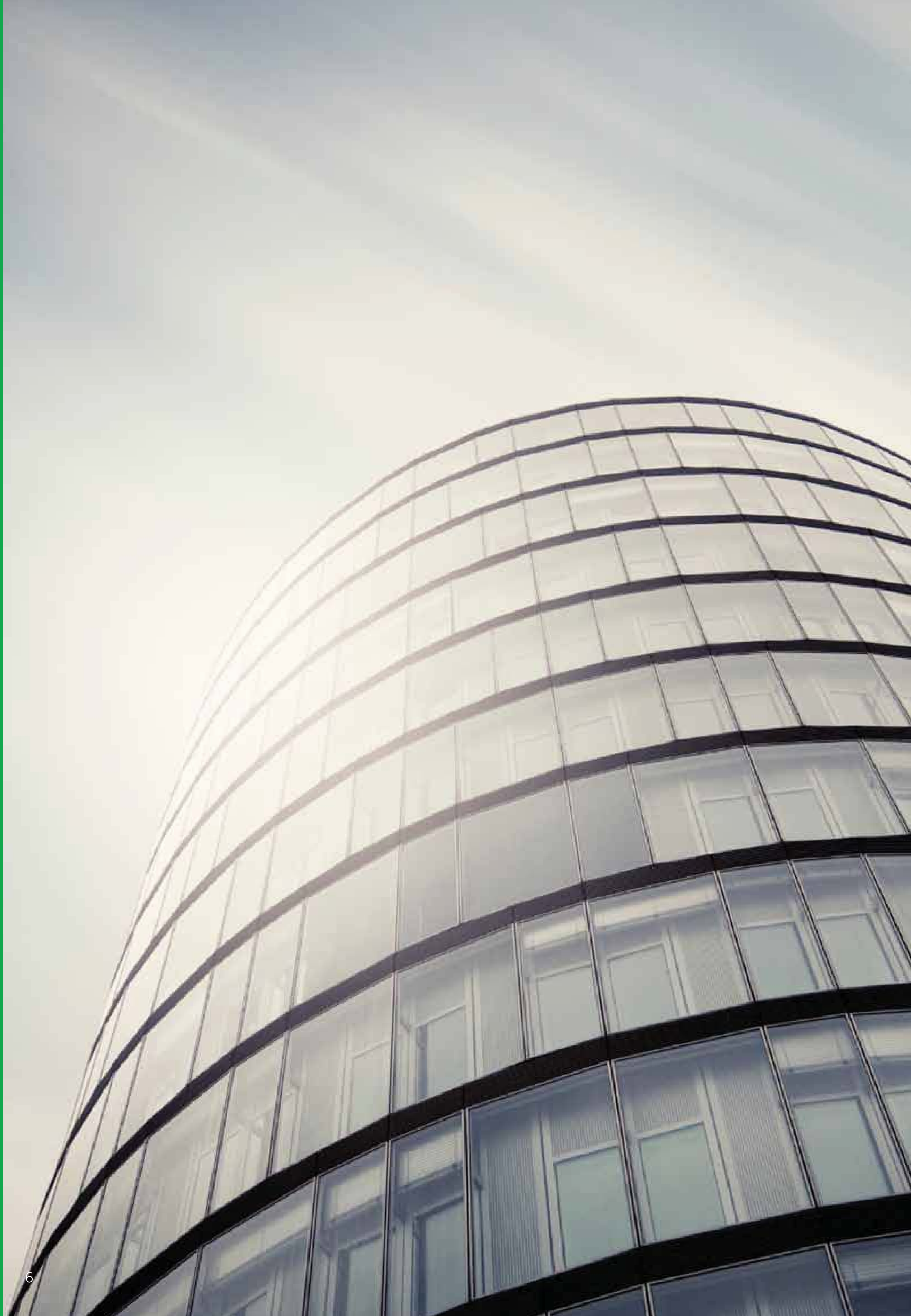
H.H. Sheikh Khalifa Bin Zayed Al Nahyan,
UAE President and Ruler of Abu Dhabi

H.H. Sheikh Mohammed
Bin Rashid Al Maktoum,
UAE Vice President and
Ruler of Dubai

H.H. Sheikh Mohammed
Bin Zayed Al Nahyan
Crown Prince of Abu Dhabi and
Deputy Supreme Commander of the
UAE Armed Forces



BOARD OF DIRECTORS

Chairman	Abdullah Mohamed Al Mazrui
Deputy Chairman	Fadel Saeed Al Darmaki
Directors	Mohammed Abdul Jalil Al Fahim Ahmed Saeed Al Badi Hussain Ali Al Sayegh Mohammed Ahmed Saeed Al Qasimi Mohamed Obeid Khalifa Al Jaber Mohammed Rashed Al Naseri Abdulla Ali Al Saadi

EXECUTIVE MANAGEMENT

Chief Executive Officer	Jason Light
Deputy Chief Executive Officer	Thomas Varghese
Chief Financial Officer	Aart Lehmkuhl
Senior Director Underwriting	Andrew Woodward
Senior Director Motor	Suresh George Jacob
Chief Operating Officer - Dubai & Northern Emirates	Mutaz Dabbagh

Auditors	Deloitte & Touche (M.E.)

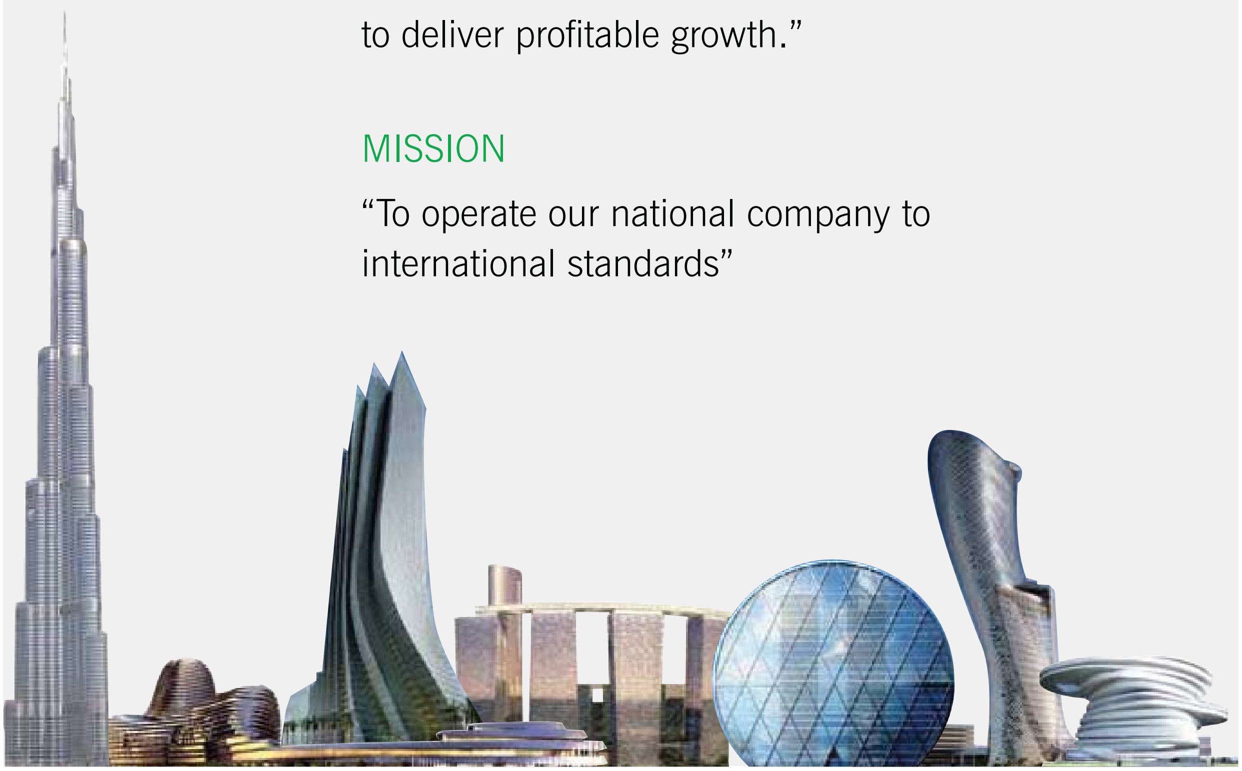
CORPORATE ASPIRATIONS

VISION

"To be a leading national force in the insurance industry, combining professional resources and skills with customer focus to deliver profitable growth."

MISSION

"To operate our national company to international standards"



BOARD OF DIRECTORS' ANNUAL REPORT 2010

Abdullah Mohammed Al Mazrui
Chairman of the Board of Directors

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 2010.

MACROECONOMIC PICTURE

The UAE economy recorded growth of about 2.4% in 2010 an improvement on 2009, but of course less than a few years ago.

During the year the Abu Dhabi Securities Exchange experienced considerable volatility particularly in response to fears over sovereign debt and other international political events. In the end, however, the market finished the year at more or less the same level as it had started.

INSURANCE OPERATIONS

Our Gross Written Premium Income recorded a small fall in 2010 largely because of the decision of one of our agents to quit the medical insurance arena. Despite this, I am pleased to note another year of increased profitability in our insurance operation (2009 AED 55m, 2010 AED 60m), a profit rise of 9%.

INVESTMENT PERFORMANCE

During the year the company continued with the rebalancing of the investment portfolio. The Board of Directors is committed to reduce the volatility in the investment portfolio and AED 80m has been allocated to a Bond portfolio. Net Investment income increased from AED15m to AED58m. The cash resources increased by 33% (AED 241M compared to AED181M 2009).

Profits from Private Equity investments will be lower in 2011 but the larger fixed income portfolio should produce a steady fixed income stream.

OVERALL PERFORMANCE

The strong performance from our insurance operations combined with the excellent result in our investment portfolio together produce a very encouraging overall result for 2010. EIC has recorded a profit of AED 108m, an increase of 70% from 2009 (AED 63m 2009).

DIVIDEND DISTRIBUTION

Given the profit performance this year the Board will be recommending an increased cash dividend of 60 fils per share (50 fils 2009).

We will not, however, be recommending any increase in the share capital of the company via the issuance of bonus shares this year.

CORPORATE GOVERNANCE

More details of the company's compliance with the Emirates Securities and Commodities Authority, Corporate Governance Code are given in a separate report. In summary, the company has complied with the requirements of the code and all the necessary governance structures were in place during 2010.

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 performance delivered by the company in the year ended 31 December 2010, 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.

Thanks is also due to EIC's many external stakeholders; customers, brokers, reinsurers and professional advisors who support us every day in our operations.

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 Mohammed 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 faithfully,

A. Mazrui

Abdullah Mohammed Al Mazrui
Chairman of the Board of Directors
28 February 2011

CHIEF EXECUTIVE OFFICER'S REPORT

Jason Light
Chief Executive Officer

Dear Shareholders, Business Associates and Fellow Employees,

In 2010, Emirates Insurance Company P.S.C (EIC) continued on its journey of growth in operational profitability and recovery in its investment portfolio. Our Gross Written Premium Income fell slightly (by 2%) largely as a result of one of our agency partner's decision to quit the medical insurance field. That said, enhanced underwriting techniques and better cost controls produced an insurance operation profit of AED 60m, a rise of 9% over 2009.

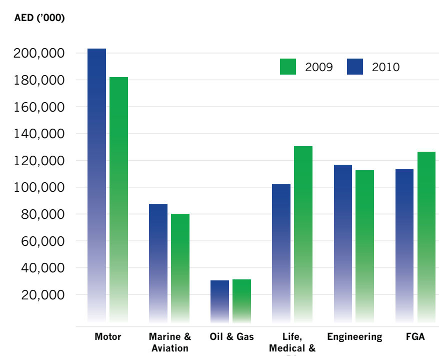
Despite continued international uncertainty and resultant stock market volatility, EIC was able to make some profitable exits from some investment positions resulting in a large increase (275%) in our investment result.

Taken together our business produced a 70% growth in bottom line compared to 2009.

INSURANCE OPERATIONS REPORT

The distribution amongst our various product segments is shown in the graph below:

Whilst our overall production fell I am pleased to note that our core, non agency production rose by 8% reflecting our organized marketing efforts and the extensive coverage, nationwide, of our branch network.



The intense level of competition that I have referred to in previous years has, if anything increased during 2010, as the full effects of the global slowdown were experienced by the insurance industry.

As part of our stated mission of running our national company to an international standard as well as to better comply with national regulations, we introduced a number of enhanced risk management and internal control procedures during 2010.

Building on the enterprise risk management framework we introduced in 2008/9, we continued our efforts to codify and where possible mitigate the risks we face. The Risk Committee of the company met regularly to act as a focus for this effort.

In the underwriting field, our staff were each issued with a detailed underwriting license specifying clearly the parameters of their authorities in their class of business.

We also established a Technical Review Department working in conjunction with Internal Audit and reporting to the Board's Audit Committee to review the underwriting decisions of the company and ensure compliance with company policies.

INVESTMENT OPERATIONS REPORT

Our excellent investment result was achieved by profitable exits from private equity investments and the conversion of Bonus Shares into cash.

The Company implemented IFRS 9 during the year. All our assets were again evaluated and the necessary provisions have been made for the write down of assets to the market value.

The market value of the Business Bay property in Dubai was written down by approximately 40% during the year.

STANDARD AND POORS

I am pleased to note that Standard and Poors reaffirmed our BBB+ interactive rating in September 2010.

REGULATORY MATTERS

Towards the end of 2009 and, with full effect in 2010, the Insurance Commission imposed a premium income levy on all insurers. The levy is applied in varying amounts dependant on class. In 2010, EIC accrued AED 1.8m in levy contributions.

EMIRATISATION

In 2010 EIC recorded an Emiratisation level of 14%, one of the highest in the insurance industry. We will continue to build on this success and increase our emiratisation going forward in line with Government policies and our own Board's directives. During this year we launched the "e-team" initiative, under my supervision, which encourages the training and career development of our cadre of Emirati staff. This initiative has already produced some very positive effects.

CORPORATE GOVERNANCE

EIC complied with the requirements of the new Emirates Securities and Commodities Authority code. Our Audit Committee met regularly in advance of board meetings. Internal controls were also codified and enhanced.

MY THANKS

I would like to pay tribute to the wise leadership of our Board of Directors and particularly our Chairman, Mr. Abdullah Mohamed Al Mazrui. They all make a huge contribution to the success of our business and we are grateful for their support and guidance.

Once again my colleagues at EIC have produced an attractive result for our shareholders in circumstances that all insurance companies have found very challenging. I commend them for their success, professionalism and hard work.

2011

I wish that I was able to say that 2011 would be the year in which pricing in the insurance market turned upwards. I regret that I cannot, I am sure the stiff competition will continue. Despite this, EIC will continue, as it has done in the past, to be an insurance business driven by high underwriting standards determined to deliver excellence to its customers and to its shareholders.

Jason Light
Chief Executive Officer

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 statement of financial position as at 31 December 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

OPINION

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as of 31 December 2010, 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), UAE Federal Law No. (6) of 2007 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 (M.E)

Saba Y. Sindaha

Registration Number 410

28 February 2011

Abu Dhabi - U.A.E.
P.O.Box : 990
Deloitte & Touche

CORPORATE GOVERNANCE REPORT

1. INTRODUCTION

The Company's board of directors "the Board" is committed to promoting good corporate governance within the Company. Consistent with its aim of being a Leader in corporate governance in the UAE and the region, the Company commenced in 2009 a pro-active review of its corporate governance framework and has adopted extensive corporate governance guidelines in the Corporate Governance Manual in line with the principles set out in the UAE Securities and Commodities Authority "SCA" Decision R/32 of 2007 on Corporate Governance and international best practice.

The Company recognises the benefit of good corporate governance for all shareholders, and the Corporate Governance Manual is designed to ensure efficient, dynamic and entrepreneurial management throughout the Company.

This is the Company's second Corporate Governance Report and is published in compliance with Resolution 518 of 2009 of the UAE Minister of Economy on Corporate Governance.

The report reflects the Company's corporate governance systems as at 31 December 2010 and this report will be filed with ESCA and published in the Annual Report and on the Company Website.

2. OVERVIEW OF THE CORPORATE GOVERNANCE MANUAL

The Corporate Governance Manual sets out requirements in relation to the appointment and composition of the Board and the role of the chairman of the Board (the "Chairman") and the Chief Executive Officer ("CEO"). Furthermore, the Corporate Governance Manual contains a list of matters reserved for the Board and requirements in relation to Board meetings and voting procedures and the maintenance and monitoring of internal control systems.

The following policies and procedures are contained in the Corporate Governance Manual:

- *Dealings of Members of the Board of Directors in Securities (Insider Trading Policy)*
- *Appointment of Directors*
- *Role and function of the Directors*
- *Composition of the Board*
- *Board of Directors remuneration*
- *Terms of reference Audit Committee*
- *Terms of Reference Nominations an Remunerations Committee*
- *The Code of Conduct for employees*
- *Appointment of External Auditors*
- *Corporate Social Responsibility*
- *Internal Control*
- *Confidential Reporting Policy*
- *Shareholder Communication Policy*

3. TRANSACTIONS OF THE DIRECTORS IN SECURITIES

Share Dealing Policy

The Share Dealing Policy sets out the procedures that EIC's directors and employees must follow when dealing in EIC's shares. The objectives of this Policy are to clarify the Company's position in respect to the Company's directors and employees dealing in the Company's shares as well as to implement controls, reduce any potential risks that could contravene the regulators requirements and avoid any conflicts of interest.

Any non-compliance with this Policy will be regarded as serious misconduct.

Prohibitions under the Share Dealing Policy

The Share Dealing Policy applies to the Company's directors and employees at all levels and contains prohibitions on insider trading and tipping.

It also sets out certain "closed periods", within which directors, key executive officers and all employees are not allowed to deal in the Company's shares at all.

The closed periods are the 15 day periods prior to the Company's general assemblies, the announcement of any unpublished price sensitive information and the announcement of the Company's yearly, half-yearly and quarterly financial results.

Consent requirement

Any proposed dealings in the Company's shares at any time by director or employee requires the prior consent of the Chairman for directors or the Chief Financial Officer for employees other than the directors. If any of the Chairman or the Chief Financial Officer wish to deal in the Company's shares, he or she must seek consent from the other.

In deciding whether consent should be given, regard will be held to the following:

- the actual existence of unpublished price sensitive information regardless of whether the applicant is aware of such information or not; and
- whether it is fair and appropriate under the circumstances to allow the applicant to carry out the proposed transaction.

An applicant cannot proceed with a proposed transaction in the Company's shares until he or she receives written confirmation of such consent through the Company Secretary. Furthermore, directors must, on an annual basis, inform the Compliance Officer of their shareholding in the Company.

The Audit Committee is responsible for reviewing the Share Dealing Policy annually.

During the year the following shares transactions were conducted in either their personal capacity or representing a company by the Board of Directors.

DIRECTORS DEALINGS IN SECURITIES	Share movement during the year Including Bonus Shares
Abdullah Al Mazrui, Mazrui Holdings	2 636 182
Fadel Saeed Al Darmaki	25 000
Mohammed Abdul Jalil Al Fahim, Al Fahim Group	267 500
Ahmed Saeed Al Badi	37 500
Hussain Ali Al Sayegh, Abu Dhabi Investment Authority	1 883 458
Mohammed Ahmed Saeed Al Qasimi, Al Dhabi Investments	2 787 373
Mohamed Obeid Khalifa Al Jaber	25 000
Mohammed Rashid Al Nasseri	-
Abdulla Ali Al Saadi	-
Total Shares Traded by Directors	**7 662 013**

The share capital of the company was increased from 120 million shares to 135 million shares during 2010. Management are not UAE nor GCC Nationals and are therefore not allowed to own any shares in the company.

4. FORMATION OF THE BOARD OF DIRECTORS

The Articles of Association of the Company provide for nine directors. Three of the Directors shall be appointed by the major shareholders while the balance will be elected at the General Assembly of the Shareholders by secret ballot provided. The present Board was elected by the Shareholders of the Company at the Annual General Meeting (AGM) held in March 2010 for a period of three years.

Six of the Nine Board Members are Independent members. All the Board members are Non Executive Board Members.

a) Categories and Particulars of Board Members

The table below contains the details of the directors of the company.

ABDULLAH AL MAZRUI
Chairman Since 1995
Non-Executive

Serving as Chairman of:
- Mazrui Holding Company
- The National Investor
- International School of Choueifat
- Arab International Logistics Company (Aramex)
- Jashanmal National Company
- Depa United Group
- Chemanol
- Modecor

Serving on the Board of the following Companies and Institutions:
- National Investment Corporation
- Dun & Bradstreet
- Abu Dhabi Education Council
- Abu Dhabi Economic Council
- Emirates Specialities Co.
- Member of Advisory Board of Insead, Abu Dhabi
- Member of Advisory Board of EDHEC Business School, France

FADEL SAEED AL DARMAKI
Board Member Since 1995
Non-Executive Independent

Education:
- Higher National Diploma in Business Studies (UK)

Serving on the Board of the following Companies and Institutions:
- Director of the Emirates Industry Bank
- Member of the Federal Council of Abu Dhabi.

Previous Assignments:
- Chairman of the Board and Executive Committee member of Abu Dhabi Commercial Bank from 1993 – 2004.

MOHAMMED ABDUL JALIL AL FAHIM
Board Member Since1986
Non-Executive Independent

Serving as Chairman of:
- Al Fahim Group of Companies

Serving on the Board of the following Companies and Institutions:
- First Vice President and on Board
- Abu Dhabi Chamber of Commerce
- Industry Board of the Telephone Company
- Council for Public Works.

Other Achievements:
- Has won the "Gulf Chief Executive Award" for 1995 and ABA ME for the "Arab Business Excellence Award" in 2007.
- Has written two books "From Rags to Riches - A Story of Abu Dhabi" and "The Guide to Starting Business in the United Arab Emirates".

AHMED SAEED AL BADI
Board Member Since 1986
Non-Executive Independent

Education:
- B.A. in International Relations at Lewis & Clark College, Portland, Oregon, USA

Serving as Chairman of:
- Belbadi Group of Companies, UAE

Serving on the Board of the following Companies and Institutions:
- Trustees Emirates Foundation
- Gulf Capital (PJSC), UAE
- ARAMEX (PJSC), UAE
- Lewis & Clark College, Portland, US
- Union National Bank, UAE
- WorldCare International Ltd.
- Abu Dhabi International Private School, UAE

HUSSAIN ALI AL SAYEGH
Board Member Since 1989
Non-Executive Non-Independent

Education:
- Bachelor of Science in Business Admin, Portland USA

Serving on the Board of the following Companies and Institutions:
- Arab International Bank, Cairo;
- World Trade Centre, Cairo;
- Banque Internationale Arab De Tunisie,Tunis;
- Banque de Tunisie et des Emirates d' Investssement
- Sousse International Company, Tunis
- Executive Director of the Operations Department of Abu Dhabi Investment Authority

MOHAMMED AHMED SAEED AL QASIMI
Board Member Since 1991
Non-Executive Non-Independent

Serving on the Board of the following Companies and Institutions:
- Vice Chairman and Director of Abu Dhabi Co-operative Society

Owner of:
- Mega Mall Sharjah
- Modern Investment and General Trading Abu Dhabi

MOHAMED OBEID KHALIFA AL JABER
Board Member Since 1995
Non-Executive Independent

Education:
- Bachelor of Business Administration, Higher Colleges of Technology.

Serving on the Board of the following Companies and Institutions:
- Group CEO of Al Jaber Group

MOHAMMED RASHID AL NASSERI
Board Member Since 2006
Non-Executive Independent

Education:
- Bachelor of Law, UAE

Serving on the Board of the following Companies and Institutions:
- National Consultative Council.
- Financing and Commercial Building Community.
- Land Management and Public Housing Community.
- Housing Loan Community for UAE National.
- Trustees of HH. Shaikh Khalifa Bin Zayed Al Nahyan Award for Teacher.
- National Investor Company.
- Al Wifaq Funding Company.
- Assistant Undersecretary of Abu Dhabi Finance Department.
- The Official Director of HH. Shaikh Mohamed Bin Khalifa Bin Zaid Al Nahyan Office.
- General Manager Al Ain Equestrian, Shooting and Golf Club.

ABDULLA ALI AL SAADI
Board Member Since 2006
Non-Executive Independent

Education:
- BA, majoring in Business Administration, USA

Serving as Chairman of:
- The National Transport Co.
- National Entertainment Co (Tarfeeh).
- National Marina Real Estate Development.

Serving on the Board of the following Companies and Institutions:
- Board & Managing Director of National Investments Corp.
- Finance House

b) Board Meetings

The Board is required to meet at least once every two months and the quorum for a meeting of the Board is a majority of its members. 5 meetings were held during the year, from 2011 at least 6 meetings per year will be held.

During the financial year ended 31 December 2010 the following meetings were held:

	24/02	28/04	28/09	10/11	20/12
Abdullah Al Mazrui	✓	✓	✓	✓	✓
Fadel Saeed Al Darmaki	✓	✓	✓	✓	✓
Mohammed Abdul Jalil Al Fahim	✓	✓	✓	✓	A
Ahmed Saeed Al Badi	A	✓	✓	A	✓
Hussain Ali Al Sayegh	✓	✓	✓	✓	✓
Mohammed Ahmed Saeed Al Qasimi	A	A	✓	A	A
Mohamed Obeid Khalifa Al Jaber	A	✓	✓	✓	A
Mohammed Rashid Al Nasseri	✓	A	✓	✓	A
Abdulla Ali Al Saadi	✓	✓	A	✓	✓

"✓" Attended
"A" Apologies received

c) Major Shareholders

The following table contains the details of the 3 largest shareholders in the company:

	Shares	Percentage Holding
Al Dhabi Investments	20 716 511	15.3%
Al Mazrui Holdings	19 888 493	14.7%
Abu Dhabi Investment Authority	15 948 000	11.8%
Other Shareholders	78 446 996	58.1%
Total Shareholding	**135 000 000**	**100%**

The Abu Dhabi Co-Operative Society transferred its shares during the year to the investment arm of the company, called Al Dhabi Investments. Other than that, the shareholding in the company has not changed significantly during 2010.

d) Remuneration of Directors

The Company does not have any executive directors appointed to its Board. The remuneration of non-executive directors is proposed by the Nomination and Remuneration Committee for approval by the Board. Once approved at board level the proposed remuneration is submitted to the general assembly for approval.

The proposed total remuneration of the directors is less than 10% of the profits of the company.
Directors are paid a retainer of Aed100 000 per annum plus an additional Aed10 000 per directors meeting attended. The Chairman is paid Aed30 000 per meeting attended with a retainer of Aed150 000 per annum.

e) Delegation of Authority and Powers to Executive Management

Subject to the Company's articles of association, a resolution of its shareholders and any applicable laws, the Board has the powers necessary to achieve the Company's objectives.

The Executive management, comprising Chief Executive Officer, other Chief Officers as well as Senior Directors are members of the EC Plus who are responsible to implement the company strategy and manages the day-to-day affairs of the company according to the business plans and activities approved by the Board, protecting the shareholder interests and adopting best and successful practices. Executive management delegates functions to senior management team subject to board policies and legal requirements.

The following matters have not been delegated to management and are deemed to be Reserved Matters:

- Strategy and management;
- Board membership and other appointments;
- Remuneration;
- Structure and capital;
- Financial reporting and controls;
- Internal controls;
- Contracts and expenditure;
- Communication;
- Delegation of authority
- Corporate governance matters; and
- Policies (not including matters of procedure).

All other powers and authorities of the Board are, pursuant to the Corporate Governance Manual, deemed delegated to executive management. The Board has delegated certain Reserved Matters to committees established under the Corporate Governance Manual.

The Board may also delegate Reserved Matters to executive management, by specific or general delegation.

5. EXTERNAL AUDITOR'S FEES

The Board of Directors is responsible for appointing an independent auditor, on the recommendation of the Audit Committee, and confirmation of the shareholders at the Annual General Assembly Meeting.

The Audit Committee evaluates the auditors by taking into account a number of key criteria, including trends in audit methodology, international resources, personnel and cost. The auditor of the company must be supported and well-known in the field of audit, classified in the category of "Big Four".

The external auditor shall make sure of the standard of the financial statements and will monitor the company's accounts and has the right to review all company's books, records, documents and any other requested data considered necessary by the auditors.

Based on the above criteria, Deloitte's were appointed as external auditor at the previous AGM in March 2010. The annual audit fee amounts to AED106 000.

The external auditor shall attend the General Assembly Meeting and ensure the validity of the procedures followed in the shareholders invitation to the meeting. The auditor will also be required to express an opinion regarding the financial health of the company.

The Auditor did not perform any other services for the Company during the Financial Year.

6. AUDIT COMMITTEE

The principal roles of the Audit Committee are to monitor the Company's financial statements, to renew and recommend changes to the Company's financial and control systems, to oversee the Internal Audit & Risk Management function, to review the share dealing policy and to maintain an appropriate relationship with the Company's external auditors.

Duties of the Audit and Compliance Committee
The principal duties of the Audit Committee are:

- To oversee the relationship with the external auditors and monitor their independence.
- To review and report to the Board on the Company's annual and quarterly financial statements.
- To review and monitor the application of the Company's financial, internal control and risk management activities
- To review the Company's Share Dealing Policy.
- To review and report to the board on the Company's accounting policies and practices.
- To review, monitor and report to the Board on the remit and effectiveness of the internal audit function and review and approve the annual internal audit plan.
- To review the Company's Whistle Blowing Policy.
- To consider such other matters as may be requested by the Board.

Authority of the Audit and Compliance Committee
The Audit Committee is authorised by the Board to examine any activity within its terms of reference, to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, professional advice on any matter within its terms of reference. The Audit Committee is authorised to seek any information it requires from any employee or director, and all employees and directors will be directed to co-operate with any request made by the Audit and Compliance Committee.

Composition and attendance of the Audit Committees
The audit committee has conducted three meeting during 2010, at least 4 meetings will be held in 2011. Audit Committee members are paid AED10 000 per meeting attended.

	22/04	20/09	7/12
Fadel Saeed Al Darmaki (Chairman)	✓	✓	✓
Mohammed Abdul Jalil Al Fahim	✓	✓	✓
Hussain Ali Al Sayegh (Finance Expert)	✓	✓	✓

The Compliance officer, CEO, CFO, Technical Audit Manager and Internal auditors are required to attend the meetings None of these attendees are allowed to vote at the meetings.

7. NOMINATION AND REMUNERATION COMMITTEE

The role of the Committee is to assist in discharging the board's responsibilities relating to compensation of EIC's staff. The Committee shall advise the board on the remuneration philosophy of EIC in respect of all employees (including senior executives) and shall recommend the remuneration payable and conditions of employment to be offered by EIC.

The committee shall further assist the board in discharging its duties in relation to:

- verification of ongoing independence of independent board members.
- formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to board members and employees of the Company and the committee shall verify that remunerations and benefits granted to the senior executive management of the Company are reasonable and in line with the Company's performance;
- determination of the Company's needs for qualified staff at the level of the senior executive management and employees and the basis of their selection;
- formulation, supervision of application and annual review of the Company's human resources and training policy;
- and organization and follow-up of procedures of nomination to the membership of the board of directors in line with applicable laws and regulations as well as this Resolution.

Composition and attendance of the Nominations and Remuneration Committee

The committee met once during 2011. Committee members are paid AED10 000 per meeting attended.

The following members serve on the Committee:

• Mohamed Obeid Khalifa Al Jaber	Chairman
• Mohammed Ahmed Saeed Al Qasimi	Member
• Ahmed Saeed Al Badi	Member

The CEO and CFO, who are responsible for arranging the meetings and taking the minutes of the meeting, also attend but they do not have a vote.

8. INTERNAL CONTROL AND RISK MANAGEMENT

Overview

The Board has overall responsibility for ensuring the application, review and efficiency of the Company's internal control systems. The Board has delegated certain of those responsibilities to the Audit Committee, as described in greater detail earlier in this report. The system of internal controls is designed to manage risks associated with the conduct of the Company's business rather than eliminate the risk of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's internal control systems include the following:

- Consideration and approval by the Board of the Company's strategic objectives and the risks associated with seeking to achieve them;
- Review and approval by the Board of financial statements and forecasts, and regular operational and financial reviews of performance against budgets and forecasts;
- Monitoring by management and the risk management team of risks to achieving business objectives and actions taken to mitigate them;
- Review by the Audit and Compliance Committee of the scope and results of internal audit work across the Company and of the implementation of the recommendations of the committee;

- Review by the Audit and Compliance Committee of accounting policies and practices, the scope of the work of the external auditors and any significant issues arising from that work; and
- A Whistle Blowing Policy enabling employees to report possible wrongdoing in confidence.

Internal Control Areas

The risks of the company have been identified and control manuals have been drawn up to manage the risks through internal controls.

INTERNAL CONTROL AREA	RESPONSIBLE PERSON	CONTROL DOCUMENT
Non motor underwriting	Senior Director Underwriting	Internal Controls – Non Motor Underwriting IC02
Facultative insurance	Senior Director Underwriting	Internal Controls – Facultative Insurance IC06
Non motor claims	Deputy Chief Executive Officer	Claims Manual – Non Motor IC03
Motor underwriting	Director Motor	Internal Controls – Motor Underwriting IC04
Motor claims	Director Motor	Claims Manual – Motor IC04
Management of Facultative insurance intermediaries	Senior Director Underwriting	Internal Controls – Facultative Insurance IC08
Agency	Chief Executive Officer	Internal Controls – Agency Risk
Re-Insurance	Deputy Chief Executive Officer	Re – Insurance Manual IC05
Investments	Chief Financial Officer	Investment Policy Statement and Investment Committee Terms of Reference IC09
Finance and administration	Chief Financial Officer	Administration Approvals Framework IC11
Credit Control	Chief Financial Officer	Credit Control Manual IC10
Human Resources	Chief Executive Officer	Human Resources Policy and Manual

Internal Control Management

The Board of Directors:

- The Board of Directors shall issue the internal control system following consultation with the management and shall be implemented by an internal control competent department.
- The Board of Directors shall determine the objectives, duties and powers of the internal control department that shall enjoy adequate independence to perform its duties and shall directly report to the Board of Directors.
- The Board of Directors shall conduct an annual review to ensure efficiency of the internal control system in the Company and its subsidiaries and disclose reached results to shareholders through the corporate governance annual report.

Executive Committee:

- The role of the executive committee is to ensure that all pillar heads and managers adhere to the control manuals on a day to day basis. The approvals of any expenditure, the hiring of any new staff, the underwriting of all the risks, the payment of claims and the management of investments are all encapsulated in the control manuals, hence management is responsible to ensure the controls are followed. Management is also responsible for reviewing the manuals and updating the manuals on an ongoing basis.

Risk Committee:

- The risk committee through the use of the Technical Audit Department, the external auditors, internal auditors and risk champions, will review on a 6 monthly basis the effectiveness of the controls. The committee will require all pillar heads to sign confirmation documentation that the internal controls are followed. The committee will also discuss all breaches and will implement corrective action. The Risk Committee is governed by its own Terms of Reference.
- The Risk Committee will issue annually the Internal Control Compliance report to the Board of Directors.

Internal Audit Insurance Operations - Technical Audit Department (TAD):

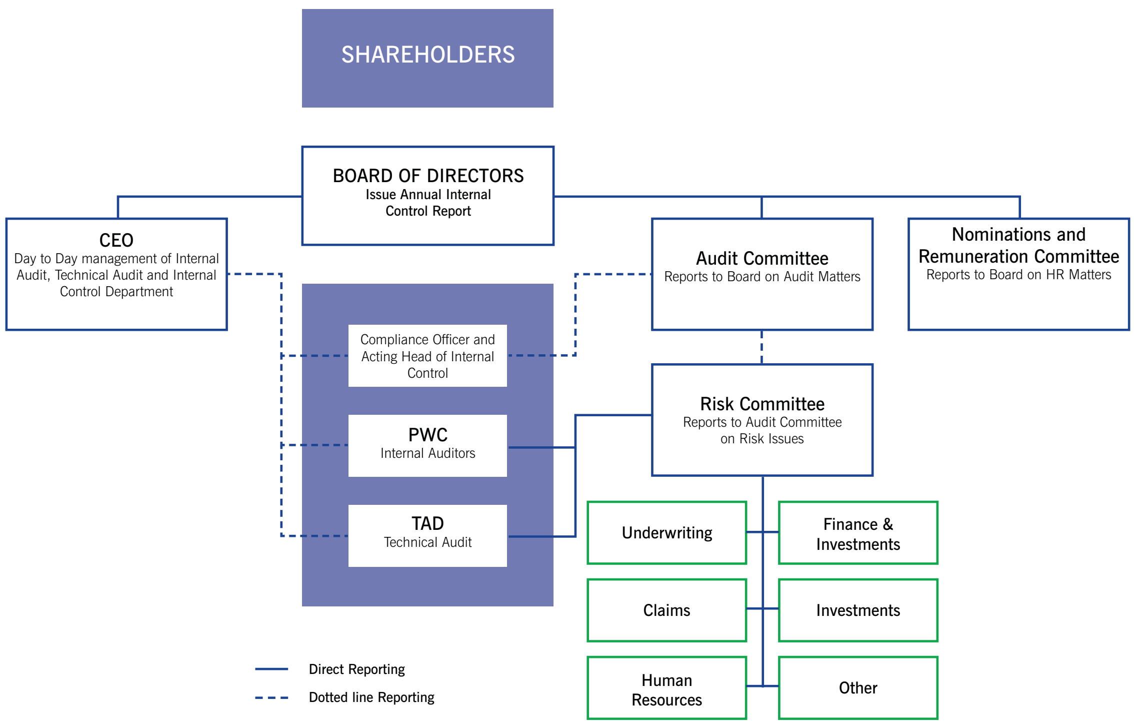
- The TAD is responsible for the ongoing audit of the technical departments. They will ensure the internal control procedures are followed by the underwriting, claims, re-insurance and facultative departments. The TAD will report any breaches to the CEO, Risk committee and the Audit Committee.
- The TAD manager will attend the Audit Committee meetings and the Risk Committee will ensure their findings are implemented.

Internal Audit Corporate Services - Price Waterhouse Coopers (PWC):

- PWC are the external internal auditors of the company. Their main duty is to perform the audits for the non technical departments such as Finance, Human Resources, Investments, etc, etc. They also have a responsibility to ensure the TAD complies with their Terms of Reference and scope of work.
- PWC will attend the Audit Committee meetings and the Risk Committee will ensure their findings are implemented.

Internal Control Management and Diagram

The internal control department prepares its reports to be submitted to the Board of Directors, where the company has a strict system of internal control that has designed to put an assessment and procedures for risk management, and the application of the rules of corporate governance, also verify the commitment of the company and its employees.



Risk Management

The Company considers risk management as a core competency throughout the organisation. It is committed to maintaining risk management systems and enhancing the organisation's ability to manage uncertainty by protecting its assets and safeguarding shareholders interests whilst ensuring compliance with applicable laws and regulations.

The Risk Committee is chaired by the CFO. The other members of the committee are divisional and pillar heads as well as selected managers. The committee is an internal committee and is governed by the Terms of Reference of the Risk Committee.

- The committee meets once a quarter and the standard agenda deals with the following issues:
- Review of the Risk matrix and update of the Risk assessment for the top 20 risks.
- Report from Technical Audit Department on technical audits.
- Report from Internal Auditors on corporate audits.
- Risk declaration by department heads.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Company's risk Management framework was adopted in 2008. The ERM framework was designed to ensure consistency in the application of ERM in identifying, assessing, monitoring and reporting risks across the organisation. In addition, a corporate risk assessment is undertaken annually with the CEO and Management Committee to determine and evaluate the material exposures facing the Company; ensuring risk management is closely aligned to the Company's strategic and business objectives. Identified risks are reported to the Audit and Compliance Committee.

The CEO is responsible for reviewing the effectiveness of the risk management process, confirming the Company's risk appetite and ensuring risk management is embedded and cascaded down to Senior Management and all staff.

The Board, through its Audit Committee also assesses the effectiveness of the overall process for identifying and assessing risks, and providing its view to the CEO and Management Committee.

Whistle Blowing Policy

The Corporate Governance Manual contains a Whistle Blowing Policy which has formulated to provide opportunity to employees to access in good faith, to the Committee in case they observe any unethical or improper practices or wrongful conduct in the Company, Responsibility for overseeing and implementing the policy has delegated to a designated whistle blowing officer. The Company's management also specific responsibility for facilitating the operation of the policy.

9. CORPORATE SOCIAL RESPONSIBILITY (CSR)

During the year the company donated another AED1million to the Emirates Foundation bringing the total donation during the past 3 years to AED3 million. The donation is in accordance with the CSR policy of the company.

General Information

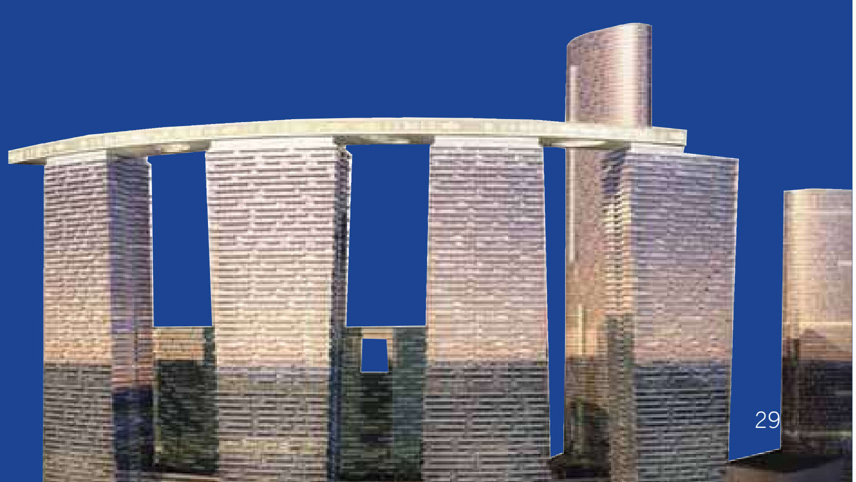
The Company considers it is substantially compliant with the Resolution 518 of 2009 of the UAE Minister of Economy on Corporate Governance.

A. Mazzi

Chairman Board for Directors

Chief Executive Officer

FINANCIAL REPORT 2010



STATEMENT OF FINANCIAL POSITION
as at 31 December 2010

	Notes	2010 AED	2009 AED
ASSETS			
Non-current assets			
Property and equipment	5	**3,319,154**	21,942,273
Investment properties	6	**3,897,709**	4,239,061
Investment property under development	7	**12,458,537**	-
Available-for-sale investments	8	**-**	735,293,931
Investments designated at fair value through other comprehensive income (FVTOCI)	8	**491,170,495**	-
Investments at amortised cost	8	**7,994,632**	-
Statutory deposit	9	**10,000,000**	10,000,000
Total non-current assets		**528,840,527**	771,475,265
Current assets			
Investments designated at fair value through profit or loss (FVTPL)	8	**168,814,672**	-
Re-insurance contract assets	11	**469,907,176**	491,728,941
Insurance and other receivables	12	**166,057,725**	141,961,021
Term deposits	13	**150,556,505**	124,474,444
Prepayments		**1,001,853**	1,488,846
Bank and cash		**80,322,259**	47,170,823
Total current assets		**1,036,660,190**	806,824,075
Total assets		**1,565,500,717**	1,578,299,340
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**135,000,000**	120,000,000
Legal reserve	15	**67,500,000**	60,000,000
General reserve	16	**425,000,000**	440,000,000
Investment revaluation reserve		**71,188,977**	112,878,791
Retained earnings		**90,068,848**	66,100,760
Total capital and reserves		**788,757,825**	798,979,551
Non-current liability			
End of service benefits	18	**7,221,708**	8,653,414
Current liabilities			
Insurance contract liabilities		**646,445,591**	647,884,603
Insurance and other payables	11	**69,859,455**	73,804,848
Re-insurance deposit retained	19	**39,629,647**	37,651,081
Accruals and deferred income		**13,586,491**	11,325,843
Total current liabilities		**769,521,184**	770,666,375
Total liabilities		**776,742,892**	779,319,789
Total equity and liabilities		**1,565,500,717**	1,578,299,340

A. Magni
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 2010

	Notes	AED 2010	AED 2009
Gross premiums written		**629,799,967**	643,152,087
Change in unearned premium deferred		**(1,483,135)**	3,005,745
Premium income earned		**628,316,832**	646,157,832
Re-insurance premiums ceded		**(393,016,191)**	(431,583,397)
Change in re-insurance portion of unearned premium deferred		**(13,451,643)**	(420,191)
Re-insurance premium ceded		**(406,467,834)**	(432,003,588)
Net insurance premium revenue		**221,848,998**	214,154,244
Gross claims incurred		**(307,629,381)**	(318,598,840)
Re-insurance share of claims incurred		**176,434,356**	179,550,001
Net claims incurred		**(131,195,025)**	(139,048,839)
Commission expenses		**(39,105,866)**	(35,992,849)
Commission income		**56,816,883**	59,727,004
Operating expenses	20	**(48,246,793)**	(43,812,850)
Net underwriting income		**60,118,197**	55,026,710
Net investment income	21	**57,853,961**	15,414,387
Other expenses, net	22	**(9,907,000)**	(6,975,786)
Profit for the year	23	**108,065,158**	63,465,311
Earnings per ordinary share	24	**0.80**	0.47

The accompanying notes form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

	AED	
	2010	2009
Profit for the year	**108,065,158**	63,465,311
Other comprehensive (loss)/income:		
Net fair value loss on investments designated at fair value through other comprehensive income (FVTOCI)	**(20,313,871)**	-
Released on sale of available-for-sale (AFS) investments	**(36,073,013)**	(19,142,049)
Increase in fair value of (AFS) investments	**-**	39,137,855
Directors' remuneration	**(1,900,000)**	(1,900,000)
Total other comprehensive (loss)/income for the year	**(58,286,884)**	18,095,806
Total comprehensive income for the year	**49,778,274**	81,561,117

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

	AED					
	Share capital	Legal reserve	General reserve	Investment revaluation reserve	Retained earnings	Total
Balance at 1 January 2010	120,000,000	60,000,000	440,000,000	112,878,791	66,100,760	798,979,551
Effect of change in accounting policy for classification and measurement of financial assets (note 2.1)	-	-	-	14,697,070	(14,697,070)	-
Balance at 1 January 2010 as restated	120,000,000	60,000,000	440,000,000	127,575,861	51,403,690	798,979,551
Profit for the year	-	-	-	-	108,065,158	108,065,158
Other comprehensive loss	-	-	-	(56,386,884)	(1,900,000)	(58,286,884)
Total comprehensive income for the year	-	-	-	(56,386,884)	106,165,158	49,778,274
Transfer to legal reserve	-	7,500,000	-	-	(7,500,000)	-
Transfer from general reserve	-	-	(15,000,000)	-	15,000,000	-
Issuance of bonus shares	15,000,000	-	-	-	(15,000,000)	-
Dividends paid for the year 2009	-	-	-	-	(60,000,000)	(60,000,000)
Balance at 31 December 2010	**135,000,000**	**67,500,000**	**425,000,000**	**71,188,977**	**90,068,848**	**788,757,825**
Balance at 1 January 2009	120,000,000	60,000,000	440,000,000	92,882,985	94,535,449	807,418,434
Profit for the year	-	-	-	-	63,465,311	63,465,311
Other comprehensive income	-	-	-	19,995,806	(1,900,000)	18,095,806
Total comprehensive income for the year	-	-	-	19,995,806	61,565,311	81,561,117
Dividends paid for the year 2008	-	-	-	-	(90,000,000)	(90,000,000)
Balance at 31 December 2009	**120,000,000**	**60,000,000**	**440,000,000**	**112,878,791**	**66,100,760**	**798,979,551**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 31 December 2010

	AED	
	2010	2009
Cash flows from operating activities		
Profit for the year	108,065,158	63,465,311
Adjustments for:		
Net movement in re-insurance contract assets	21,821,765	41,120,303
Net movement in insurance contract liabilities	(1,439,012)	(40,361,214)
Impairment loss on available-for-sale investments	-	29,801,436
Gain on disposal of available-for-sale investments	(55,728,553)	(21,566,026)
Unrealised loss on investments classified as fair value through profit or loss	12,832,391	-
Depreciation of property and equipment	1,540,151	1,464,359
Depreciation of investment properties	341,352	341,352
(Gain)/loss on disposal of property and equipment	(5,301)	180
Dividends from available-for-sale investments	(12,449,662)	(15,186,209)
Interest income	(6,151,787)	(5,192,148)
Net allowance for doubtful debts	400,000	300,000
Impairment of investment property under development	7,000,000	-
Provision for employees' end of service benefits	932,569	1,935,364
Operating cash flow before changes in operating assets and liabilities	77,159,071	56,122,708
(Increase)/decrease in insurance and other receivables	(24,496,704)	16,987,947
Decrease/(increase) in prepayments	486,993	(539,068)
Decrease in insurance and other payables	(3,945,393)	(4,646,430)
Increase/(decrease) in re-insurance deposit retained	1,978,566	(4,748,479)
Increase/(decrease) in accruals and deferred income	2,260,648	(628,322)
Cash generated by operating activities	53,443,181	62,548,356
Employees' end of service benefits paid	(2,364,275)	(388,615)
Net cash generated by operating activities	51,078,906	62,159,741
Cash flows from investing activities		
Payments to acquire financial assets	(25,940,122)	(12,350,441)
Proceeds from disposal of available-for-sale investments	79,763,532	46,273,758
Payments for property and equipment	(2,377,566)	(4,232,162)
Proceeds from disposal of property and equipment	7,298	-
Dividends from available-for-sale investments	12,449,662	15,186,209
Interest income	6,151,787	5,192,148
Additions to investment properties	-	(35,500)
Increase in statutory deposits	-	(2,500,000)
Movement in term deposits with original maturity above three months	(73,831,803)	11,500,000
Net cash (used in)/generated by investing activities	(3,777,212)	59,034,012

STATEMENT OF CASH FLOWS (CONTINUED)
for the year ended 31 December 2010

	AED	
	2010	2009
Cash flows from financing activities		
Dividends paid	(60,000,000)	(90,000,000)
Directors' remuneration paid	(1,900,000)	(1,900,000)
Net cash used in financing activities	(61,900,000)	(91,900,000)
Net (decrease)/increase in cash and cash equivalents	(14,598,306)	29,293,753
Cash and cash equivalents at beginning of the year	160,645,267	131,351,514
Cash and cash equivalents at end of the year (note 25)	146,046,961	160,645,267

The accompanying notes form an integral part of these financial statements

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. 6 of 2007 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 re-insurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain, Jebel Ali Freezone and Sharjah. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 3856, Abu Dhabi, United Arab Emirates.

The Company's ordinary shares are listed in the Abu Dhabi Securities Exchange.

2 Adoption of new and revised standards

2.1 Standard affecting presentation and disclosure

The following new and revised Standard has been adopted in the current period in these financial statements. Details of other Standards and Interpretations adopted but that have had no effect on the financial statements are set out in section 2.2.

IFRS 9 *Financial Instruments*	In the current year, the Company has adopted IFRS 9 *Financial Instruments* (IFRS 9) (as issued in November 2009 and revised in October 2010) and the related consequential amendments in advance of its effective date. The Company has chosen 31 December 2010 as the date of its initial application. The Company has applied IFRS 9 prospectively as permitted by the transitional provisions (note 3.3). The application of the amendments to IFRS 9 made in October 2010 has not had a material impact to the Company's accounting policies.

2.2 New and revised IFRSs applied with no material effect on the financial statements

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

New and revised IFRSs	Summary of requirement
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*	The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.
Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*	The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
Amendment to IFRS 3 (revised) *Business Combinations* and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*	Comprehensive revision on applying the acquisition method.
Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRSs issued in 2008)	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Company is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Company will retain a non-controlling interest in the subsidiary after the sale.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
IFRIC 17 *Distributions of Non-cash Assets to Owners*	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

2 Adoption of new and revised standards (continued)

2.2 New and revised IFRSs applied with no material effect on the financial statements (continued)

IFRIC 18 *Transfers of Assets from Customers*	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 *Revenue*.
Improvements to IFRSs issued in 2009	The application of Improvements to IFRSs issued in 2009 which amended IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16 has not had any material effect on amounts reported in the financial statements.

2.3 New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 1 relating to *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	1 July 2010
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	1 July 2011
Amendments to IAS 32 *Financial Instruments: Presentation*, relating to Classification of Rights Issues	1 February 2010
Amendments to IFRIC 14 relating to Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Improvements to IFRSs issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13	1 January 2011, except IFRS 3 and IAS 27 which are effective 1 July 2010
Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 *Income Taxes*	1 January 2012
Amendment to IFRS 1: Removal of Fixed Dates for First-time Adopters	1 July 2011
Amendment to IFRS 1: Severe Hyperinflation	1 July 2011

Management anticipates that these amendments will be adopted in the Company's financial statements for the initial period when they become effective. Management has not had an opportunity to consider the potential impact of the adoption of these amendments.

3 Summary of significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of UAE Federal Law No. 6 of 2007 concerning Insurance Companies and Agents.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3.3 Change in accounting policy

IFRS 9 Financial Instruments

The Company adopted IFRS 9 Financial Instruments (IFRS 9) in 2010 in advance of its effective date. The Company has chosen 31 December 2010 as its date of initial application (i.e. the date on which the Company has assessed its existing financial assets) as this is the end of the reporting period when the Board of Directors has completed its review of the investments portfolio.

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are now measured either at amortised cost or fair value.

Debt instruments are measured at amortised cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amoritsed cost criteria the Company may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the current period, the Company has not elected to designate any debt instruments meeting the amortised cost criteria as at FVTPL.

Only financial assets that are classified as measured at amortised cost are tested for impairment.

Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Company as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income recognised in accordance with IAS 18 *Revenue*, are recognised in other comprehensive income and are not subsequently reclassified to profit or loss.

The Board of Directors have reviewed and assessed all of the Company's existing financial assets as at the date of initial application of IFRS 9. As a result:

- the Company's investments in debt instruments meeting the required criteria are measured at amortised cost;
- most of the Company's equity instruments that are not held for trading have been designated as at FVTOCI;
- the investment in bond portfolio and remaining equity instruments are measured at FVTPL.

The reclassification of financial assets on initial application of IFRS 9 changed either the measurement basis and/or policy for recognition of gains or losses for the following financial assets of the Company:

- investments in debt instruments that were previously classified as available-for-sale have been reclassified to investments at amortised cost;
- investment in bond portfolio and some investments in equity instruments that were previously measured at fair value and classified as available-for-sale have been reclassified to FVTPL; and
- the remaining investments in equity instruments that were previously measured at fair value and classified as available-for-sale have been designated as at FVTOCI.

For more information and detail on the new classification, see note 8.

The impact of adopting IFRS 9 has been effected in 2010 without prior period restatement. Cumulative changes in fair value of investments at FVTPL and investments at amortised cost amounting to AED 16,570,300 at 1 January 2010 have been reclassified from Investment revaluation reserve to retained earnings. Impairment changes recorded in profit or loss in prior periods amounting to AED 1,873,230 have been reclassified from retained earnings to Investment revaluation reserve. There were no disposals of investments designated at FVTOCI and therefore only the decrease in fair value amounting to AED 20,313,871 was recognised in other comprehensive income with respect to these investments. The decrease in fair value of investments measured at FVTPL is recognised in profit or loss amounting to AED 12,832,391 (note 21).

3 Summary of significant accounting policies (continued)

3.4 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 financial position 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.

Re-insurance 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 re-insurance 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 re-insurance contracts held are recognised as re-insurance contract assets. The Company assesses its re-insurance contract assets for impairment on a regular basis. If there is objective evidence that the re-insurance contract asset is impaired, the Company reduces the carrying amount of the re-insurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the end of the reporting period, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the financial position date and is estimated using the time proportionate method. 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 UAE Federal Law No. 6 of 2007, as amended, concerning Insurance Companies and Agents. The unearned premium calculated by the time proportionate method accounts for the estimated acquisition costs incurred by the Company to acquire policies and defers these over the life of the policy.

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

Deferred policy acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are amortised over the terms of the policies as premium is earned.

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)

3.4 Insurance contracts (continued)

Liability adequacy test

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

Receivables and payables related to insurance contracts

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

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

3.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment, if any. 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 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 asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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.

3.6 Capital work in progress

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

3.7 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.

3.8 Investment properties under development

Investment properties under development that are being constructed or developed for future use as investment property are stated at cost less accumulated depreciation and any impairment losses. Upon completion of construction or development, such properties are transferred to investment properties.

3 Summary of significant accounting policies (continued)

3.9 Impairment of non-financial assets

At the end of each reporting period, 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.

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

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

3.10 Provisions

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

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

3.11 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 end of the reporting period.

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 (9) of 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees' period of service.

3.12 Financial assets

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

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

3.12.1 Classification of financial assets

The Company had the following financial assets as at 31 December 2009: 'cash and cash equivalents', 'loans and receivables' 'available-for-sale' (AFS) investments. At 31 December 2010, the Company's AFS have been reclassified after initial application of IFRS 9 (see note 8).

3.12.2 Financial assets at amortised cost and the effective interest method

Cash and cash equivalents

Cash and cash equivalents which include cash on hand and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

Insurance receivables

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

3 Summary of significant accounting policies (continued)

3.12 Financial assets (continued)

3.12.2 Financial assets at amortised cost and the effective interest method (continued)

Investments at amortised cost

Debt instruments are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see note 3.12.3 below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see note 3.12.5 below).

Subsequent to initial recognition, the Company is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

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

The Company may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

3.12.3 Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortised cost criteria described in note 3.12.2 above, or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from FVTPL to amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition (see note 3.12.2) is not permitted.

Investments in equity instruments are mandatorily classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition as described in note 3.12.4 below.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

3.12.4 Financial assets at FVTOCI

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

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

In the previous year, the Company's policy for AFS investments is discussed below.

AFS investments

AFS investments are initially measured at fair value plus transactions costs and subsequently re-measured at fair value unless the latter cannot be reliably measured. Gains and losses arising from changes in fair value are previously accumulated in investment revaluation reserve in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously accumulated in investment revaluation reserve in equity are reclassified to the profit or loss for the period. Impairment losses recognised in the profit or loss for equity investments classified as AFS are not subsequently reversed through the profit or loss.

3 Summary of significant accounting policies (continued)

3.12 Financial assets (continued)

3.12.5 Impairment of financial assets at amortised cost

Financial assets that are measured at amortised cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 financial asset have been affected.

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 re-organisation.

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

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, reflecting the impact of collateral and guarantees, discounted at the financial asset's original effective interest rate.

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

3.12.6 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when 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.

3.13 Financial liabilities and equity instruments issued by the Company

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.

Financial liabilities

Financial liabilities comprised of insurance payables and other liabilities 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, except for short-term liabilities when the recognition of interest would be immaterial.

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

Derecognition of financial liabilities

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

3 Summary of significant accounting policies (continued)

3.14 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.

3.15 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 investments held until maturity which have variable rates of return, the minimum guaranteed return is recognised in the profit or loss using the effective interest rate method. Returns in excess of the minimum guaranteed return, if any, are recognised on maturity.

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.

3.16 Foreign currencies

For the purpose of these financial statements, UAE 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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

4 Critical accounting judgments and key sources of estimation of uncertainty

While applying the accounting policies as stated in Note 3, management of the Company has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

4.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI, FVTPL or amortised cost. In judging whether investments in securities are as at FVTOCI, FVTPL or amortised cost, Management has considered the detailed criteria for determination of such classification as set out in IFRS 9 *Financial Instruments* in 2010. Management is satisfied that its investments in securities are appropriately classified.

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

4.2 Impairment of amounts due from policy holders

An estimate of the collectible amount from policy holders is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired entails the management's evaluation of the specific credit and liquidity position of the policy holders and their historical recovery rates including detailed investigations carried out during 2010 and feedback received from the legal department. Impairment of amounts due from policy holders at 31 December 2010 is AED 3,400,000 (2009: AED 3,000,000).

4.3 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 at the end of the reporting period both for the expected ultimate cost of claims reported for the expected ultimate cost of claims incurred but not reported ("IBNR"). 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 the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.4 Liability adequacy test

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

4.5 Impairment of investments at amortised cost

Management regularly reviews indicators of impairment for investments at amortised cost and considers the criteria as set out in as set out IFRS 9 *Financial Instruments*. Management's evaluated the basis, particularly instances of default or delinquency in interest or principal payments. Management is confident that no impairment is required as a result of its review.

4.6 Impairment of investment property under development

Investment property under development is assessed for impairment based on cash flows when there is indication that those assets have suffered an impairment loss. Cash flows are determined based on contractual agreements or future expected selling prices and estimations of total costs until the properties are completed. Alternatively, the Company determines the amount within a range of reasonable fair value estimates considering recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Any impairment losses determined by the Company are recorded in profit or loss. Impairment of investment property under development recognised as at 31 December 2010 is AED 7,000,000 (2009: AED Nil).

5 Property and equipment

	AED				
	Furniture, fixtures and office equipment	Motor vehicles	Computer equipment and accessories	Capital work in progress	Total
Cost					
1 January 2009	3,674,367	409,175	4,534,267	16,323,937	24,941,746
Additions	726,418	38,500	757,275	2,709,969	4,232,162
Disposals	(94,756)	-	(31,655)	-	(126,411)
1 January 2010	4,306,029	447,675	5,259,887	19,033,906	29,047,497
Additions	1,477,783	-	475,152	424,631	2,377,566
Disposals	(2,395)	(33,901)	-	-	(36,296)
Transfer to investment property under development (note 7)	-	-	-	(19,458,537)	(19,458,537)
31 December 2010	**5,781,417**	**413,774**	**5,735,039**	**-**	**11,930,230**
Accumulated depreciation					
1 January 2009	2,300,434	212,613	3,254,049	-	5,767,096
Charge for the year	659,471	131,496	673,392	-	1,464,359
Disposals	(94,756)	-	(31,475)	-	(126,231)
1 January 2010	2,865,149	344,109	3,895,966	-	7,105,224
Charge for the year	788,962	81,108	670,081	-	1,540,151
Disposals	(399)	(33,900)	-	-	(34,299)
31 December 2010	**3,653,712**	**391,317**	**4,566,047**	**-**	**8,611,076**
Carrying amount 31 December 2010	**2,127,705**	**22,457**	**1,168,992**	**-**	**3,319,154**
Carrying amount 31 December 2009	1,440,880	103,566	1,363,921	19,033,906	21,942,273

All property and equipment are located in the United Arab Emirates.

The capital work in progress represents payments made towards the purchase of office spaces in Dubai. At 31 December 2010, management has determined that the office spaces will be held mostly for rental to third parties. Accordingly, the total cost of AED 19,458,537 was reclassified to Investment property under development (Note 7).

6 Investment properties

	AED			
	Abu Dhabi building	Al Ain building	Musafah building	Total
Cost				
1 January 2009	25,407,554	6,955,406	5,140,279	37,503,239
Additions	-	-	35,500	35,500
1 January 2010	25,407,554	6,955,406	5,175,779	37,538,739
31 December 2010	**25,407,554**	**6,955,406**	**5,175,779**	**37,538,739**
Accumulated depreciation				
1 January 2009	25,406,554	6,954,406	597,366	32,958,326
Charge for the year	-	-	341,352	341,352
1 January 2010	25,406,554	6,954,406	938,718	33,299,678
Charge for the year	-	-	341,352	341,352
31 December 2010	**25,406,554**	**6,954,406**	**1,280,070**	**33,641,030**
Carrying amount 31 December 2010	**1,000**	**1,000**	**3,895,709**	**3,897,709**
Carrying amount 31 December 2009	1,000	1,000	4,237,061	4,239,061

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 five 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 60,000,000 (2009: AED 81,480,000).

(b) Al Ain building

The construction of this building was completed during 1992. The Company is utilising half of the second mezzanine floor for housing its Al Ain Branch office with the remaining space available for letting to third parties. The fair value of this property is estimated to be AED 10,560,000 (2009: AED 10,860,000).

(c) Musafah building

The construction of this building was completed during 2008. The company is utilising 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 used for Musafah branch. The fair value of this property is estimated to be AED 8,060,000 (2009: AED 8,876,000).

Land for the construction of the Abu Dhabi Building and Al Ain Building has been allotted free of cost by the Executive Council of Abu Dhabi, and land for construction of Musafah building is on a long term lease from the Abu Dhabi Municipality and Town 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 71591, Abu Dhabi, United Arab Emirates, Chartered Surveyors that are not related to the Company, on an open market value basis as at 17 January 2011. The valuations were arrived at by reference to market evidence of transactions and prices of similar properties.

6 Investment properties (continued)

The property rental income earned by the Company from its investment properties, part of which is leased out under operating leases and the direct operating expenses arising on the investment properties are as follows:

	AED	
	2010	2009
Rental income	**4,872,535**	4,775,893
Direct operating expenses	**(1,516,185)**	(1,504,453)
	3,356,350	3,271,440

7 Investment property under development

Balance at the beginning of the year	-	-
Transfer from capital work in progress (note 5)	19,458,537	-
	19,458,537	-
Less: Impairment loss	(7,000,000)	-
Balance at the end of the year	12,458,537	-

During the year, the Company recognised an impairment amounting to AED 7,000,000 (Note 21) on the investment property under development due to the drastic decrease in the property value.

8 Financial assets

8.1 Reclassification of investments at the date of initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application on 31 December 2010.

Type of investment	Original measurement category (IAS 39)	New measurement category (IFRS 9)
Equity securities (i)	Available-for-sale (AFS) investments	Investments in equity instruments designated at fair value through other comprehensive income (FVTOCI)
Equity securities(ii)	Available-for-sale (AFS) investments	Investments in equity instruments designated at fair value through profit or loss (FVTPL)
Long-term deposits (iii)	Available-for-sale (AFS) investments	Investments at amortised cost
Islamic Sukuk investments (iii)	Available-for-sale (AFS) investments	Investments at amortised cost
Investment funds (iv)	Available-for-sale (AFS) investments	Investments in equity instruments designated at fair value through other comprehensive income (FVTOCI)
Investment funds (v)	Available-for-sale (AFS) investments	Investments in equity instruments designated at fair value through profit or loss (FVTPL)
Investment in bond portfolio (vi)	Available-for-sale (AFS) investments	Investments in debt instruments designated at fair value through profit or loss (FVTPL)

(i) Investments in equity instruments are by default classified as at FVTPL. The Company has chosen to designate the investment in quoted and unquoted UAE shares at FVTOCI as it intends to hold the investment for the medium to long-term as a strategic investment. The Company believes therefore that designating as at FVTOCI will provide a more meaningful presentation of its medium to long-term interest in its investment than fair valuing the interest through profit or loss.

8 Financial assets (continued)

8.1 Reclassification of investments at the date of initial application of IFRS 9 (continued)

(ii) Investments in equity instruments are by default classified as at FVTPL. The company has chosen to designate certain unquoted shares at FVTPL because it is the Company's objective to hold these for trading.

(iii) Islamic Sukuk investments classified as available-for-sale investments, comprise assets backed securities which give target returns as per agreement or returns dependent on the price of the underlying asset backing the investment. They were considered to meet the criteria of IFRS 9 to be classified at amortised cost.

(iv) Investment funds comprise various private equity, real estate, and hedging funds. They were reclassified from AFS investment to financial assets at FVTOCI as the Company intends to hold the investments for the medium to long term as a strategic investment. The Company believes therefore that designating as at FVTOCI will provide a more meaningful presentation of its medium to long-term interest in its investments than fair valuing the investment through profit or loss.

(v) Investment funds comprise various private equity, real estate, and hedge funds. They were reclassified from available-for-sale investments to financial assets at FVTPL because it is the Company's objective to hold these investment for trading.

(vi) Investment in bond portfolio comprises debt instruments with varying maturities which are held by an asset manager in accordance with a discretionary agreement. The investment does not meet the criteria of IFRS 9 to be classified as amortised cost and therefore designated at FVTPL.

8.2 Composition of investments

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

	AED	
	2010	2009
Investments at FVTOCI		-
Quoted UAE equity securities	428,492,497	-
Unquoted UAE equity securities	18,433,000	-
Investment funds	44,244,998	-
	491,170,495	-
Investments at FVTPL		-
Unquoted UAE Securities	4,676,261	-
Investment funds	143,124,145	-
Investment in bond portfolio	21,014,266	-
	168,814,672	-
Investments at amortised cost		
Islamic Sukuk investments	7,994,632	
AFS investments		
Quoted UAE equity securities	-	471,799,670
Unquoted UAE equity securities	-	36,263,983
Investment funds	-	219,256,270
Islamic Sukuk investments	-	7,974,008
	-	735,293,931
	667,979,799	735,293,931

The geographical distribution of investments is as follows:

Within U.A.E.	**478,266,177**	516,037,661
Outside U.A.E.	**189,713,622**	219,256,270
	667,979,799	735,293,931

8 Financial assets (continued)

8.3 Movement in investments

The movement in investments during the current year is as follows:

	AED			
	at FVTPL	at FVTOCI	at amortised cost	Total
Investments				
Fair value at 1 January 2010	-	-	-	-
Reclassification adjustment upon initial application of IFRS 9 (see below)	181,647,063	511,484,366	7,994,632	701,126,061
Decrease in fair value taken to:				
Profit or loss (note 21)	(12,832,391)	-	-	(12,832,391)
Other comprehensive income	-	(20,313,871)	-	(20,313,871)
Fair value at 31 December 2010	168,814,672	491,170,495	7,994,632	667,979,799

The movement in previous measurement category is presented below:

	AED	
	2010	2009
AFS investments		
Fair value at 1 January	735,293,931	757,456,852
Additions during the year	25,940,122	12,350,441
Disposals during the year	(60,107,992)	(43,849,781)
Net increase in fair value	-	39,137,855
Less: Impairment losses (note 21)	-	(29,801,436)
Reclassification adjustment upon initial application of IFRS 9 (see above)	(701,126,061)	-
Fair value at 31 December	-	735,293,931

9 Statutory deposit

In accordance with the requirements of Federal Law No. 6 of 2007, concerning Insurance Companies and Agents, the Company maintains a bank deposit of AED 10,000,000 (2009: AED 10,000,000) which cannot be utilised without the consent of the UAE Insurance Authority.

10 Related parties

Related parties comprise the Directors of the Company and those entities in which they have the ability to control or exercise significant influence in financial and operational decisions. The Company maintains significant balances with these related parties which arise from commercial transactions as follows:

	AED	
	2010	2009
AFS investments		
Due from policy holders	4,119,368	2,272,640
Due to policy holders	156,371	271,462

The Company does not have any past history of significant defaults of balances due from related parties since the majority of the counter-parties are parties owned by the Shareholders. There is no provision for impairment of balances due from related parties at 31 December 2010 and 2009.

10 Related parties (continued)

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

	AED	
	2010	2009
Gross premiums written	8,672,121	7,387,427
Claims paid	5,759,566	3,942,824
Directors' remuneration (note 19)	1,900,000	1,900,000
Remuneration of key management personnel	14,861,400	14,607,265

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.

11 Insurance contract liabilities and re-insurance contract assets

	AED	
	2010	2009
Insurance liabilities		
- Claims reported unsettled	306,892,781	314,348,411
- Claims incurred but not reported	46,244,362	41,710,879
- Unearned premiums	293,308,448	291,825,313
	646,445,591	647,884,603
Recoverable from re-insurers		
- Claims reported unsettled	249,691,342	261,047,944
- Claims incurred but not reported	37,624,924	34,638,444
- Unearned premiums	182,590,910	196,042,553
	469,907,176	491,728,941
Insurance liabilities - net		
- Claims reported unsettled	57,201,439	53,300,467
- Claims incurred but not reported	8,619,438	7,072,435
- Unearned premiums	110,717,538	95,782,760
	176,538,415	156,155,662

11 Insurance contract liabilities and re-insurance contract assets (continued)

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

	AED					
	2010			2009		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
Claims						
Notified claims	314,348,411	261,047,944	53,300,467	330,403,914	282,509,525	47,894,389
Incurred but not reported	41,710,879	34,638,444	7,072,435	63,010,845	53,876,975	9,133,870
Total at the beginning of the year	356,059,290	295,686,388	60,372,902	393,414,759	336,386,500	57,028,259
Claims settled in the year	(310,551,528)	(184,804,478)	(125,747,050)	(355,954,309)	(220,250,113)	(135,704,196)
Increase in liabilities	307,629,381	176,434,356	131,195,025	318,598,840	179,550,001	139,048,839
Total at the end of the year	353,137,143	287,316,266	65,820,877	356,059,290	295,686,388	60,372,902
Notified claims	306,892,781	249,691,342	57,201,439	314,348,411	261,047,944	53,300,467
Incurred but not reported	46,244,362	37,624,924	8,619,438	41,710,879	34,638,444	7,072,435
Total at the end of the year	353,137,143	287,316,266	65,820,877	356,059,290	295,686,388	60,372,902
Unearned premium						
Total at the beginning of the year	291,825,313	196,042,553	95,782,760	294,831,058	196,462,744	98,368,314
Increase in the year	293,308,448	182,590,910	110,717,538	291,825,313	196,042,553	95,782,760
Release in the year	(291,825,313)	(196,042,553)	(95,782,760)	(294,831,058)	(196,462,744)	(98,368,314)
Net increase/(decrease) during the year	1,483,135	(13,451,643)	14,934,778	(3,005,745)	(420,191)	(2,585,554)
Total at the end of the year	293,308,448	182,590,910	110,717,538	291,825,313	196,042,553	95,782,760

12 Insurance and other receivables

	AED 2010	AED 2009
Receivables arising from insurance and re-insurance contracts:		
Due from policy holders	70,338,883	63,015,962
Less: allowance for doubtful debts	(3,400,000)	(3,000,000)
	66,938,883	60,015,962
Notes receivables-post dated cheques	1,998,967	2,749,749
Due from insurance companies	93,256,751	77,279,481
Other receivables	3,863,124	1,915,829
	166,057,725	141,961,021

The average credit period on insurance contracts is 85 days. No interest is charged on insurance and other receivables.

Included in the Company's insurance and other receivable balances are receivables with a carrying amount of AED 15,876,885 (2009: AED 16,314,697) 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 policy holders balance at the end of year, AED 32.9 million (2009: AED 26.5 million) is due from the Company's 10 largest customers. There are 526 (2009: 489) other customers who represent more than 47% (2009: 58%) of the total balance of due from policy holders.

Ageing of insurance receivables:

	AED 2010	AED 2009
Not past due	53,447,403	45,531,476
Past due but not impaired		
86 to 365 days	14,574,185	15,388,433
More than 1 year but less than 2 years	1,302,700	926,264
	15,876,885	16,314,697
Past due and impaired		
86 to 365 days	828,495	1,037,466
More than 1 year but less than 2 years	186,100	132,323
	1,014,595	1,169,789
Total due from policy holders	70,338,883	63,015,962

12 Insurance and other receivables (continued)

Movement in the allowance of doubtful debts:

	AED	
	2010	2009
Balance at the beginning of the year	3,000,000	2,700,000
Impairment losses recognised	538,673	320,682
Amounts written off during the year	(138,673)	(20,682)
Balance at the end of the year	3,400,000	3,000,000

13 Term deposits

Term deposits are held locally in financial institutions. The original maturity ranges from one to six months. Interest is receivable at annual rates ranging from 2.0% to 4.5% per annum (2009: 3.50% to 6.25% per annum).

14 Share capital

	AED	
	2010	2009
Authorised: 135,000,000 shares of AED 1 each (2009: 120,000,000 shares of AED 1 each)	135,000,000	120,000,000
Allotted, issued and fully paid: 135,000,000 shares of AED each 2009: 120,000,000 shares of AED each1)	135,000,000	120,000,000

At 31 December 2010, a total of 15,948,000 (2009: 14,176,000) shares were held by Abu Dhabi Investment Council and 119,052,000 (2009: 105,824,000) shares by UAE nationals.

At the Annual General Meeting held on 23 March 2010, the Shareholders approved a bonus issue in respect of 2009 of 15,000,000 shares amounting to AED 15,000,000. The share register was updated on 4 April 2010.

15 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.

16 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 they deem fit.

During the year, the Board of Directors resolved to transfer an amount of AED 15,000,000 from the general reserve to retained earnings.

17 Proposed cash and bonus shares

In respect of the current year, the Board of Directors propose a cash dividend of AED 0.6 per share (2009: AED 0.50 per share) amounting to AED 81,000,000 (2009: AED 60,000,000) and bonus shares of Nil (2009: 12.5%). The cash dividend and bonus shares are subject to the approval of the Shareholders at the Annual General Meeting.

18 End of service benefits

Movement in the allowance of doubtful debts:

	AED	
	2010	2009
Balance at the beginning of the year	8,653,414	7,106,665
Charge for the year	932,569	1,935,364
Paid during the year	(2,364,275)	(388,615)
Balance at the end of the year	7,221,708	8,653,414

19 Insurance and other payments

Payables arising from insurance and re-insurance contracts:		
Due to insurance companies	39,848,446	53,595,799
Other insurance payables	20,549,597	12,096,515
Provision for Directors' remuneration (note 10)	1,900,000	1,900,000
Unclaimed dividend	7,561,412	6,212,534
	69,859,455	73,804,848

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.

20 Operating expenses

Staff costs	36,819,668	34,035,550
Depreciation on property and equipment (note 5)	1,540,151	1,464,359
Rental expenses	2,011,255	2,067,599
Others	7,875,719	6,245,342
	48,246,793	43,812,850

21 Net investment income

Interest on bank deposits	5,675,084	4,690,532
Interest on sukuks and bonds	476,703	501,616
Net income from investment properties (note 6)	3,356,350	3,271,440
Dividends from available-for-sale investments	12,449,662	15,186,209
Gain/(loss) on disposal of available-for-sale investments (funds)	24,944,927	(14,030,873)
Gain on disposal of available-for-sale investments (equities)	30,783,626	35,596,899
Unrealised loss on investments classified at fair value through profit or loss	(12,832,391)	-
Impairment loss on investment property under development (note 7)	(7,000,000)	-
Impairment loss on available-for-sale investments (note 8)	-	(29,801,436)
	57,853,961	15,414,387

21 Other expenses, net

Staff costs	6,735,000	5,600,000
Emiratisation scheme costs	1,819,504	1,226,872
Exchange gain	(715,179)	(642,467)
Others	2,067,675	791,381
	9,907,000	6,975,786

23 Profit for the year

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

	AED	
	2010	2009
Staff salaries and benefits (included in operating expenses)	36,819,668	34,035,550
Staff bonus (included in other expenses)	6,735,000	5,600,000
	43,554,668	39,635,550

24 Earnings per ordinary share

	2010	2009
Profit for the year	108,065,158	63,465,311
Weighted number of shares in issue throughout the year	135,000,000	135,000,000
Basic earnings per share	0.80	0.47

As of 31 December 2010, the Company has not issued any instruments which would have an impact on earnings per share when exercised. Earnings per share for 2009 was adjusted for bonus shares issued in 2010 as approved by the Shareholders (note 14).

25 Cash and cash equivalents

	AED	
	2010	2009
Balances held at UAE banks	62,287,723	46,176,090
Balances held at foreign banks abroad	18,034,536	994,733
	80,322,259	47,170,823
Term deposits	150,556,505	124,474,444
	230,878,764	171,645,267
Less: term deposits with original maturities greater than three months	(84,831,803)	(11,000,000)
	146,046,961	160,645,267

26 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.

26 Insurance risks (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:

	AED					
Accident year	2006 and earlier	2007	2008	2009	2010	Total
At the end of the accident year	20,885,857	15,200,379	25,528,310	23,981,842	27,616,360	
One year later	30,393,214	22,148,152	31,377,431	29,444,809	-	
Two years later	34,397,311	21,638,126	31,680,394	-	-	
Three years later	32,390,018	21,999,839	-	-	-	
Four years later	32,351,027	-	-	-	-	
Current estimate of cumulative claims	32,351,027	21,999,839	31,680,394	29,444,809	27,616,360	143,092,429
Cumulative payments to date	(31,509,662)	(18,904,722)	(27,121,999)	(23,760,935)	-	(101,297,318)
Liability recognised in the statement of financial position	**841,365**	**3,095,117**	**4,558,395**	**5,683,874**	**27,616,360**	**41,795,111**

Non-Motor - Gross:

	AED					
Accident year	2006 and earlier	2007	2008	2009	2010	Total
At the end of the underwriting year	141,311,073	133,095,590	157,710,008	104,805,415	129,256,247	
One year later	219,504,930	147,158,992	173,625,989	125,483,350	-	
Two years later	168,703,550	133,166,054	165,989,258	-	-	
Three years later	156,072,150	124,284,095	-	-	-	
Four years later	150,118,380	-	-	-	-	
Current estimate of cumulative claims	150,118,380	124,284,095	165,989,258	125,483,350	129,256,247	695,131,330
Cumulative payments to date	(100,629,524)	(84,632,058)	(139,565,424)	(58,962,292)	-	(383,789,298)
Liability recognised in the statement of financial position	**49,488,856**	**39,652,037**	**26,423,834**	**66,521,058**	**129,256,247**	**311,342,032**

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.

26 Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments

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

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

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

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

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

The initial estimate of the loss ratios used for the current year before 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 2010		Year ended 31 December 2009	
Type of risk	Gross loss ratio	Net loss ratio	Gross loss ratio	Net loss ratio
Motor	54%	58%	55%	66%
Non-Motor	47%	61%	47%	63%

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 end of the reporting period to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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

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.

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.

26 Insurance risk (continued)

Concentration of insurance risk (continued)

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.

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

	AED			
	Year ended 31 December 2010		Year ended 31 December 2009	
	Gross	Net	Gross	Net
Motor				
U.A.E.	3,588,635,755	2,443,008,195	2,206,716,676	974,414,169
GCC countries	-	-	-	-
Others	-	-	-	-
	3,588,635,755	2,443,008,195	2,206,716,676	974,414,169
Non-Motor				
U.A.E.	134,148,311,602	12,911,686,610	122,211,943,792	15,609,890,942
GCC countries	1,595,806,307	120,878,578	2,355,871,906	241,495,895
Others	2,255,536,326	132,852,353	1,796,248,600	230,796,779
	137,999,654,235	13,165,417,541	126,364,064,298	16,082,183,616
Grand Total	141,588,289,990	15,608,425,736	128,570,780,974	17,056,597,785

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Company amounts to

AED 60,118,197 for the year ended 31 December 2010 (2009: AED 55,026,710). 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 38% and the same is mainly contributed by one class of business i.e., Motor line wherein the retention level is 76%. 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 29% of the net underwriting profit predominantly from the reinsurance placement which remains as a comfortable source of income.

Because of low risk retention in 69% 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 58% - 65% and does not foresee any serious financial impact in the insurance net profit.

27 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.

27.1 Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of UAE;
- 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.

27 Financial instruments (continued)

27.1 Capital risk management (continued)

In UAE, 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.

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

	AED	
	2010	2009
Total Shareholders' equity	**788,757,825**	798,979,551
Minimum regulatory capital	**100,000,000**	100,000,000

27.2 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.

27.3 Categories of financial instruments

	AED	
	2010	2009
Financial assets		
Statutory deposit	**10,000,000**	10,000,000
Investments designated at FVTOCI	**491,170,495**	-
Investments designated at FVTPL	**168,814,672**	-
Investments at amortised cost	**7,994,632**	-
AFS investments	**-**	735,293,931
Insurance and other receivables	**166,057,725**	141,961,021
Term deposits	**150,556,505**	124,474,444
Bank and cash	**80,322,259**	47,170,823
Total	**1,074,916,288**	1,058,900,219
Financial liabilities		
Insurance contract liabilities	**646,445,591**	647,884,603
Insurance and other payables	**69,859,455**	73,804,848
Re-insurance deposits retained	**39,629,647**	37,651,081
Total	**755,934,693**	759,340,532

27.4 Market price risk management

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 investees.

Equity price risk sensitivity analysis

At the end of the reporting period, 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:

- Profit would have increased/decreased by AED 14,780,406 (2009: AED Nil).
- Cumulative changes in fair value reserves would increase/decrease by AED 49,117,049 (2009: increase/decrease by AED 47,179,967) for the Company as a result of the changes in fair value of quoted shares.

27 Financial instruments (continued)

27.5 Foreign currency risk management

A significant portion of investments in securities amounting to AED 129,244,658 (2009: AED 175,805,651) 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 from this, the Company also has significant investments denominated in Euros amounting to AED 49,954,241 (2009: AED 52,740,429).

Based on the sensitivity analysis to a 20% increase/decrease in the AED against Euros (assumed outstanding for the whole year), there is AED 9,990,848 (2009: AED 10,548,086) net revaluation gain/loss on the Euro outstanding balances.

Management believes that the possible loss due to exchange rate fluctuation is minimal and consequently, this risk is not hedged.

27.6 Credit risk management

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;
- amounts due from insurance intermediaries; and
- amounts due from banks for its bank balances and term deposits.

The Company has adopted a policy of only 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.

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 policy holder. The creditworthiness of re-insurers 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 policy holders and groups of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous groups of policy holders, a financial analysis equivalent to that conducted for re-insurers is carried out by the Company. Details on concentration of amounts due from policy holders is disclosed in Note 12.

Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policy holders.

At 31 December 2010 and 2009, virtually all of the deposits were placed with 8 banks. Management is confident that this concentration of liquid assets at year end does not result in any credit risk to the Company as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

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

27.7 Liquidity risk management

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. Bank facilities, the policy holders and the re-insurers, are the major sources of funding for the Company and the liquidity risk for the Company is assessed to be low. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial liabilities with maturities determined on the basis of the remaining period from the end of the reporting period to the contractual maturity/repayment date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

27 Financial instruments (continued)

27.7 Liquidity risk management (continued)

	AED				
	Effective interest rate	0-180 days	181-365 days	More than 1 year	Total
31 December 2010			-	-	
Insurance and other liabilities	-	69,859,455	-	-	69,859,455
Re-insurance deposits retained	1.50%	39,629,647	-	-	39,629,647
Total		109,489,102	-	-	109,489,102
			-	-	
31 December 2009			-	-	
Insurance and other liabilities	-	73,804,848			73,804,848
Re-insurance deposits retained	1.50%	37,651,081	-	-	37,651,081
Total		111,455,929			111,455,929

27.8 Interest risk management

The Company‘s exposure to interest rate risk relates to its term deposits. At 31 December 2010, term deposits carried an interest rate in the range of 2.0% to 4.5% per annum (31 December 2009: 3.5% to 6.25% per annum).

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing financial assets assuming the amount of assets at the end of the reporting period were outstanding for the whole year.

If interest rates had been 100 basis points higher\lower and all other variables were held constant, the Company's profit for the year ended 31 December 2010 would increase\decrease by AED 1,605,565 (2009: AED 1,344,744).

27.9 Fair value of financial instruments

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

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

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3 – fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27 Financial instruments (continued)

27.9 Fair value of financial instruments (continued)

	AED			
	Level 1	Level 2	Level 3	Total
31 December 2010				
Financial assets designated at FVTOCI				
Equities	428,492,497	18,433,000	-	446,925,497
Investment funds	-	44,244,998	-	44,244,998
Financial assets designated at FVTPL				
Equities	-	4,676,261	-	4,676,261
Investment funds	-	143,124,145	-	143,124,145
Investment in bond portfolio	21,014,266	-	-	21,014,266
Total	449,506,763	210,478,404	-	659,985,167
31 December 2009				
Available-for-sale financial assets	-			
Equities	471,799,670	20,163,983	-	491,963,653
AFS investment funds	-	206,720,825	-	206,720,825
Investment in sukuks	7,974,008	-	-	7,974,008
Total	479,773,678	226,884,808	-	706,658,486

There were no transfers between Level 1 and 2 during the year.

28 Segment information

The Company has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. This has not resulted in any significant change to the reportable segments presented by the Company as the segments reported by the Company was consistent with the internal reports provided to the Chief Operating Decision Maker.

For operating purposes, the Company is organised into two main business segments:

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

Investments – incorporating investments in marketable equity securities and investment funds, development bonds, term deposits with banks and investment properties and other securities.

28 Segment information (continued)

Information regarding the Company's reportable segments is presented below.
Primary segment information-business segment
The following table presents revenue, costs, assets and liabilities information regarding the Company's business segments:

	AED					
	2010 Underwriting	2010 Investments	2010 Total	2009 Underwriting	2009 Investments	2009 Total
Segment revenue	686,616,850	59,370,146	745,986,996	702,879,091	16,918,839	719,797,930
Segment result	60,118,197	57,853,961	117,972,158	55,026,710	15,414,387	70,441,097
Unallocated costs (net)			(9,907,000)			(6,975,786)
Profit for the year			108,065,158			63,465,311
Segment assets	649,535,868	835,642,590	1,485,178,458	655,706,536	875,421,981	1,531,128,517
Unallocated assets			80,322,259			47,170,823
Total assets			1,565,500,717			1,578,299,340
Segment liabilities	765,296,610	1,984,870	767,281,480	769,012,094	2,195,162	771,207,256
Unallocated liabilities			9,461,412			8,112,533
Total liabilities			776,742,892			779,319,789

There are no transactions between the business segments.

28 Segment information (continued)

Secondary segment information - revenue from underwriting departments

The following is an analysis of the Company's revenues classified by major underwriting departments.

	AED	
	2010	2009
Motor	**198,220,533**	181,355,294
Engineering	**132,834,292**	128,020,524
Fire and General Accidents	**125,372,685**	136,613,542
Marine and Aviation	**94,762,438**	88,261,815
Life, Medical and Personal Assurance	**102,438,148**	136,059,868
Oil and Gas	**32,988,754**	32,568,048
	686,616,850	702,879,091

Secondary segment information - geographical segment

The Company's underwriting business is based entirely within UAE, except for treaty re-insurance 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 (USA) and Europe.

Total revenues and total assets of the underwriting and investment segments by geographical location are detailed below:

	AED			
	Revenue 2010	Revenue 2009	**Total assets 2010**	Total assets 2009
UAE	**683,046,064**	675,786,064	**1,382,294,734**	1,356,830,830
U.S.A.	**25,413,628**	2,123,205	**129,244,658**	166,113,415
Europe	**37,527,304**	41,888,661	**53,961,325**	55,355,095
	745,986,996	719,797,930	**1,565,500,717**	1,578,299,340

29 Contingent liabilities

At 31 December 2010, the Company had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 6,381,222 (2009: AED 6,851,254).

30 Commitments

At 31 December 2010, the Company had outstanding commitments to invest in unlisted overseas securities amounting to AED 18,300,115 (2009: AED 34,514,769), and AED 1,200,000 (2009: AED 1,000,000) relating to the interior design contract of Dubai office.

31 Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation with respect to the following:

	AED		
	2009	Reclassified	2010
Statement of cash flows captions reclassified			
Cash flows from operating activities			
Interest income	5,192,148	(5,192,148)	-
Dividends from available-for-sale investments	15,186,209	(15,186,209)	-
Cash flows from investing activities			
Interest income	-	5,192,148	5,192,148
Dividends from available-for-sale investments	-	15,186,209	15,186,209

32 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting on 28 February 2011.

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