

**AL WATHBA NATIONAL
INSURANCE COMPANY PJSC**

**Reports and financial
statements for the year
ended 31 December 2011**

AL WATHBA NATIONAL INSURANCE COMPANY PJSC

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for the year ended 31 December 2011**

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AL WATHBA NATIONAL INSURANCE COMPANY PJSC
BOARD OF DIRECTORS

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Chairman

H.E. Sheikh Saif Bin Mohammed Bin Butti Al Hamed

Deputy Chairman

Mr. Rashid Darwish Al Ketbi

Directors

Mr. Saeed Eid Al Ghafl

Mr. Saeed Omeir Bin Yousef

Mr. Mohammed Saeed Al Qubaisi

Mr. Ahmed Ali Khalfan Al Dhahry

Mr. Shukry Al Muhairy

Mr. Amer Abdul Jaleel Al Fahim

Mr. Rasheed Ali Rasheed Naser Al Omeira

General Manager

Mr. Bassam Adib Chilmeran

Auditors

Deloitte & Touche (M.E.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Al Wathba National Insurance Company PJSC
Abu Dhabi, UAE

Report on the financial statements

We have audited the financial statements of Al Wathba National Insurance Company PJSC (the "Company"), which comprise the statement of financial position as at 31 December 2011, and the statements of income, comprehensive income, changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

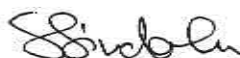
Other matter

The financial statements of the Company for the year ended 31 December 2010 were audited by another auditor whose report dated 8 February 2011 expressed an unqualified opinion thereon.

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.)




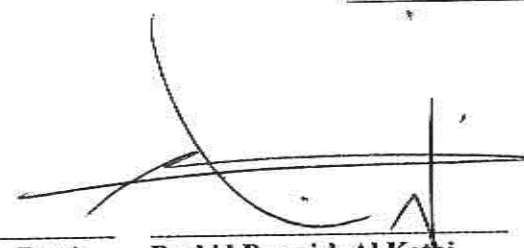
Saba Y. Sindaha
Registration Number 410
15 February 2012

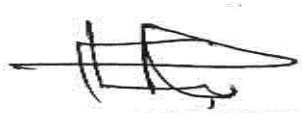


**Statement of financial position
as at 31 December 2011**

	Notes	2011 AED'000	2010 AED'000 (Restated)
ASSETS			
Property and equipment	5	4,485	4,801
Investment properties	6	301,837	316,837
Investment in associates	7	12,472	12,631
Investments carried at fair value through other comprehensive income (FVTOCI)	8	234,782	273,914
Insurance receivables and prepayments	9	92,020	98,675
Re-insurance contract assets	11	135,622	130,153
Cash and bank balances	12	109,372	121,182
Total assets		890,590	958,193
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	120,000	120,000
Legal reserve	14	43,848	42,267
Statutory reserve	15	30,000	30,000
General reserve	16	23,323	23,323
Capital reserve	17	9,959	9,959
Investment revaluation reserve		3,869	24,560
Retained earnings		186,035	192,165
Total equity		417,034	442,274
Liabilities			
Employees' end of service benefit	19	5,184	4,183
Insurance contract liabilities	11	315,418	296,605
Bank overdraft	20	63,536	112,396
Trade and other payables	21	75,418	78,735
Term loan	20	14,000	24,000
Total liabilities		473,556	515,919
Total equity and liabilities		890,590	958,193


Sheikh Saif Bin Mohammed Bin Butti
Chairman


Rashid Darwish Al Ketbi
Managing Director


Bassam A Chilmeran
General Manager

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

Income statement
for the year ended 31 December 2011

	Notes	2011 AED'000	2010 AED'000
Gross premiums written		325,334	279,840
Change in unearned premium provision		(17,939)	262
Premium income earned		307,395	280,102
Reinsurance premium ceded		143,205	118,338
Change in unearned premium provision		(9,658)	(2,094)
Reinsurance ceded		133,547	116,244
Net premium earned		173,848	163,858
Gross claims incurred		(199,220)	(164,552)
Reinsurance share of claims recovered		69,969	39,542
Net claims incurred		(129,251)	(125,010)
Gross commission earned		30,744	27,496
Less: commission incurred		(21,168)	(17,158)
Net commission earned		9,576	10,338
Underwriting income		54,173	49,186
General and administrative expenses relating to underwriting		(16,853)	(15,077)
Net underwriting income		37,320	34,109
Other expenses	22	(22,649)	(21,272)
Net investment income	23	5,937	12,409
Share of loss of associates	7	(159)	(3,235)
Finance costs		(4,640)	(7,826)
Profit for the year	24	15,809	14,185
Basic earnings per share	25	0.13	0.12

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

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

	2011 AED'000	2010 AED'000
Profit for the year	15,809	14,185
Other comprehensive (loss)/income:		
Decrease in fair value of investments classified at FVTOCI	(29,311)	(36,585)
Gain on disposal of investments classified at FVTOCI	262	657
Total other comprehensive loss for the year	(29,049)	(35,928)
Total comprehensive loss for the year	(13,240)	(21,743)

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

AL WATHBA NATIONAL INSURANCE COMPANY PJSC

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

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2011 (as restated)	120,000	42,267	30,000	23,323	9,959	24,560	192,165	442,274
Profit for the year	-	-	-	-	-	-	15,809	15,809
Other comprehensive loss for the year	-	-	-	-	-	(29,311)	262	(29,049)
Balance at 1 January 2011 (as restated)	-	-	-	-	-	(29,311)	16,071	(13,240)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	-	-	8,620	(8,620)	-
Transfer to legal reserve	-	1,581	-	-	-	-	(1,581)	-
Dividends paid for the year 2010	-	-	-	-	-	-	(12,000)	(12,000)
Balance at 31 December 2011	120,000	43,848	30,000	23,323	9,959	3,869	186,035	417,034

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

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Statement of changes in equity for the year ended 31 December 2011 (continued)

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2010 (as restated)	120,000	40,847	30,000	23,587	9,959	61,145	191,109	476,647
Profit for the year	-	-	-	-	-	-	14,185	14,185
Other comprehensive loss	-	-	-	-	-	(36,585)	657	(35,928)
Balance at 1 January 2010	-	-	-	-	-	(36,585)	14,842	(21,743)
Transfer to legal reserve	-	1,420	-	-	-	-	(1,420)	-
Transfer from general reserve	-	-	-	(264)	-	-	264	-
Board of Directors' remuneration	-	-	-	-	-	-	(630)	(630)
Dividends paid for the year 2009	-	-	-	-	-	-	(12,000)	(12,000)
Balance at 31 December 2010 (as restated)	120,000	42,267	30,000	23,323	9,959	24,560	192,165	442,274

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

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

	2011 AED'000	2010 AED'000 (Restated)
Cash flows from operating activities		
Profit for the year	15,809	14,185
Adjustments for:		
Dividend income	(7,196)	(8,508)
Interest income	(1,684)	(1,962)
Gain on sale of property and equipment	-	(23)
Share of loss of associates	159	3,235
Changes in fair value of investment properties	15,000	10,000
Finance costs	4,640	7,826
Depreciation of property and equipment	1,341	866
Provision for employees' end of service benefits	1,432	819
Cash flow from operating activities before movements in working capital	29,501	26,438
Net movement in re-insurance contract assets	(5,469)	(14,727)
Net movement in insurance contract liabilities	18,813	25,299
Decrease in insurance receivables and prepayments	6,655	2,072
(Decrease)/increase in trade and other payables	(3,317)	8,529
Cash from operations	46,183	47,611
Interest paid	(4,640)	(7,826)
Employees' end of service benefits paid	(431)	(106)
Net cash from operating activities	41,112	39,679
Cash flows from investing activities		
Purchase of property and equipment	(1,025)	(988)
Proceeds from disposal of property and equipment	-	23
Purchase of investments at fair value through other comprehensive income	(12,511)	(13,876)
Proceeds from disposal of investments at fair value through other comprehensive income	22,594	17,399
Decrease/(increase) in term deposits with original maturity over 3 months	6,049	(23,293)
Interest income received	1,684	1,962
Dividend income received	7,196	8,508
Net cash from/(used in) investing activities	23,987	(10,265)

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

Statement of cash flows
for the year ended 31 December 2011 (continued)

	2011 AED'000	2010 AED'000
Cash flows from financing activities		
Dividends paid	(12,000)	(12,000)
Prepayment of term loan	(10,000)	(10,000)
Net cash used in financing activities	(22,000)	(22,000)
Net increase in cash and cash equivalents	43,099	7,414
Cash and cash equivalents at beginning of the year	(19,007)	(26,421)
Cash and cash equivalents at end of the year (note 12)	24,092	(19,007)

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

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

1 General information

Al Wathba National Insurance Company PJSC (the "Company"), incorporated in Abu Dhabi, is registered as a public shareholding company in accordance with the Federal Law No. (8) of 1984 (as amended).

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 transaction 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 and Sharjah. The Company is domiciled in the United Arab Emirates and its registered head office is P.O. Box 45154, Abu Dhabi, United Arab Emirates.

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

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

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

The following new and revised IFRSs have 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
<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>	The amendments give first time adopters the same transition provisions that Amendments to IFRS 7 provides to current IFRS preparers.
<i>Amendments to IFRS 3 Business Combinations</i>	The amendments clarify the measurement choice regarding non-controlling interests at the date of acquisition and regarding the accounting for share-based payment awards held by acquiree's employees.
<i>Amendments to IAS 1 Presentation of Financial Statements</i>	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.

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

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)

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

New and revised IFRSs

Summary of requirement

IAS 24 *Related Party Disclosures* (as revised in 2009)

IAS 24 (revised in 2009) has been revised on the following two aspects: definition of a related party and the introduction of a partial exemption from the disclosure requirements for government-related entities.

Amendment to IAS 32 *Classification of Rights Issues*

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments.

Amendment to IFRS 7 *Financial Instruments: Disclosures* relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)

This has been early adopted with no impact as the Company has adopted IFRS 9 in 2010.

Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

The amendments address when refunds or reductions in future contributions should be regarded as available; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of a prepaid minimum funding contribution.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments.

Improvements to IFRSs issued in 2010

The application of *Improvements to IFRSs* issued in 2010 which amended IAS 27, IAS 34 and IFRIC 13.

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

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)

2.2 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:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendment to IFRS 7 <i>Financial Instruments: Disclosures</i> , relating to Disclosures on Transfers of Financial Assets	1 July 2011
Amendment to IFRS 1 <i>Removal of Fixed Dates for First-time Adopters</i>	1 July 2011
Amendment to IFRS 1 <i>Severe Hyperinflation</i>	1 July 2011
Amendment to IAS 12 <i>Income Taxes</i> relating to Deferred Tax – Recovery of Underlying Assets	1 January 2012
Amendment to IAS 1 <i>Presentation of Financial Statements</i> relating to presentation of items of other comprehensive income	1 July 2012
IAS 19 <i>Employee Benefits</i> (as revised in 2011)	1 January 2013
IAS 27 <i>Separate Financial Statements</i> (as revised in 2011)	1 January 2013
IAS 28 <i>Investments in Associates and Joint Ventures</i> (as revised in 2011)	1 January 2013
IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
IFRS 11 <i>Joint Arrangements</i>	1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
IFRS 13 <i>Fair Value Measurement</i>	1 January 2013
Amendment to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to offsetting of financial assets and financial liabilities	1 January 2013
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendment to IAS 32 <i>Financial Instruments: Presentation</i> relating to offsetting of financial assets and financial liabilities	1 January 2014

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

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

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 and investment properties. 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 amortised 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.

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

3 Summary of significant accounting policies (continued)

3.3 Change in accounting policy (continued)

IFRS 9 Financial Instruments (continued)

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:

- All of the Company's equity instruments that are not held for trading 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. The equity investments amounting to AED 329.2 million as at 31 December 2009 that were previously measured at fair value as available for sale investments have been designated as at FVTOCI. The decrease in fair value amounting to AED 36.6 million was recognised in other comprehensive income with respect to these investments.

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).

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

3 Summary of significant accounting policies (continued)

3.4 Insurance contracts (continued)

Recognition and measurement (continued)

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 end of the reporting period is reported as the unearned premium liability.

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

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 end of the reporting period 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 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.

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

3 Summary of significant accounting policies (continued)

3.4 Insurance contracts (continued)

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.

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	2 – 4 years
Motor vehicles	4 years
Building	20 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

3 Summary of significant accounting policies (continued)

3.5 Property and equipment (continued)

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 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss for the period in which they arise.

3.7 Investment properties under development

Investment properties under development that are being constructed or developed for future use as investment property are stated at fair value. Upon completion of construction or development, such properties are transferred to investment properties.

3.8 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.

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

3 Summary of significant accounting policies (continued)

3.9 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.

3.10 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.

3.11 Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with *IFRS 5, Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognised, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where the Company transacts with an associate, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

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

3 Summary of significant accounting policies (continued)

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 2011: 'cash and cash equivalents', 'loans and receivables' and investments at fair value through other comprehensive income (FVTOCI).

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.

3.12.3 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.

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

3 Summary of significant accounting policies (continued)

3.12 Financial assets (continued)

3.12.4 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.

3.12.5 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.

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

3 Summary of significant accounting policies (continued)

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, term loan and bank overdraft 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.

3.14 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 expenses.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

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

3 Summary of significant accounting policies (continued)

3.15 Revenue recognition (continued)

Dividend income

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

Commission income and expenses

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

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 2011. Management is satisfied that its investments in securities are appropriately classified.

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

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 2011 and feedback received from the legal department. Impairment of amounts due from policy holders at 31 December 2011 is AED 22.8 million (2010: AED 20.2 million).

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 in associates

After application of equity method of accounting, the Company determines whether it is necessary to recognise for any additional impairment loss on the carrying value of the investment in associate by comparing its recoverable amount with the higher of value in use or fair value less costs to sell with its carrying amount. Based on the above analysis, management determined that the impairment on investment in associates at 31 December 2011 amounted to AED Nil million (2010: AED Nil million).

4.6 Impairment of amounts due from insurance and re-insurance companies

Management regularly reviews the collectability of amounts due from insurance and re-insurance companies. The majority of these receivables are due from reputable local and international insurance and re-insurance companies. Such balances are regularly reconciled by both parties and are settled by on account payments on a regular basis. Based on above evaluation, Management is satisfied that no impairment is necessary on receivables from insurance and re-insurance companies.

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

5 Property and equipment

	Buildings AED'000	Motor vehicles AED'000	Furniture and equipment AED'000	Total AED'000
Cost				
1 January 2010	4,679	566	4,895	10,140
Additions	62	211	715	988
Disposals		(118)	(23)	(141)
	<hr/>	<hr/>	<hr/>	<hr/>
1 January 2011	4,741	659	5,587	10,987
Additions	-	-	1,025	1,025
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2011	4,741	659	6,612	12,012
	<hr/>	<hr/>	<hr/>	<hr/>
1 January 2010	-	566	4,895	5,461
Charge for the year	-	211	655	866
Disposals	-	(118)	(23)	(141)
	<hr/>	<hr/>	<hr/>	<hr/>
1 January 2011	-	659	5,527	6,186
Charge for the year	316	-	1,025	1,341
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2011	316	659	6,552	7,527
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount				
31 December 2011	4,425	-	60	4,485
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2010	4,741	-	60	4,801
	<hr/>	<hr/>	<hr/>	<hr/>

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

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

6 Investment properties

	Land AED'000	Buildings AED'000	Investment properties under construction AED'000	Total AED'000
At 1 January 2010	100,000	192,650	34,187	326,837
Changes in fair value	(10,000)	-	-	(10,000)
At 1 January 2011	90,000	192,650	34,187	316,837
Transfers	26,894	-	(26,894)	-
Changes in fair value	(21,850)	6,850	-	(15,000)
31 December 2011	95,044	199,500	7,293	301,837

Investment properties comprise the following:

(a) Abu Dhabi Head Office building

The construction of this building was completed during 2005. The Company occupies three floors of the building for its Head Office with the remaining sixteen floors available for letting to third parties. The fair value of this property is estimated to be AED 170.0 million (2010: AED 164.4 million).

(b) Al Jumeirah Island Commercial Villas

This property consists of five villas in Dubai available for letting to third parties. The fair value of this property is estimated to be AED 28.5 million (2010: AED 27 million).

(c) Al Nakheel Flat

This property is located at Al Nakheel building, The Greens, Dubai, and is available for letting to third parties. The fair value of this property is estimated to be AED 1 million (2010: AED 1.25 million).

(d) Land in Dubai Technology, Electronic, Commerce and Media Free Zone Authority

The freehold land in Dubai was purchased in 2005. The fair value of this plot of land in Dubai is estimated to be AED 67.8 million (2010: AED 90 million).

The fair value of the investment properties has been arrived at on the basis of valuations carried out by M/s Pioneers Surveyors and Loss Adjusters, P.O. Box 55476, Dubai, United Arab Emirates, Chartered Surveyors that are not related to the Company, on an open market value basis as at 12 December 2011. The valuations were arrived at by reference to market evidence of transactions and prices of similar properties.

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

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:

	2011 AED'000	2010 AED'000
Rental income	14,480	13,513
Direct operating expenses	(2,352)	(1,923)
	<u>12,128</u>	<u>11,590</u>

7 Investment in associates

Details of Company's associates as of 31 December are as follows:

Name of the associate	Principal activities	Place of incorporation	Voting power %		Ownership interest %	
			2011	2010	2011	2010
Vision Insurance SAOC	Insurance business	Sultanate of Oman	20	20	20	20
Vision Capital Brokerage Company L.L.C.	Provision of share brokerage services	United Arab Emirates	10	10	10	10

Although the Company holds less than 20% of the voting power in Vision Capital Brokerage Company L.L.C., as at the end of the reporting period it exercised significant influence by virtue of its representation on the Board of Directors of this company.

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

7 Investment in associates (continued)

	2011 AED'000	2010 AED'000
Share of the associate's statement of financial position:		
Total assets	165,505	186,447
Total liabilities	(76,170)	(93,006)
Company's share of associates' net assets	89,335	93,441
 Total revenue	 83,135	 16,380
 Loss for the year	 (4,170)	 (13,640)
 Company's share of associates' loss for the year	 (159)	 (3,235)
 The movement on investment in associates during the year was as follows:		
At 1 January	12,631	-
Transferred from investment securities (note 8)	-	15,866
Less: share of loss of associates	(159)	(3,235)
 At 31 December	 12,472	 12,631

8 Investments carried at fair value through other comprehensive income (FVTOCI)

The Company's investments carried at fair value through other comprehensive income (FVTOCI) at the end of the reporting period are detailed below.

	2011 AED'000	2010 AED'000
Quoted securities	217,868	251,981
Unquoted securities	16,914	21,933
	234,782	273,914

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

**8 Investments carried at fair value through other comprehensive income (FVTOCI)
(continued)**

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

	2011 AED'000	2010 AED'000
Fair value at 1 January	273,914	329,231
Transferred to investment in associates (note 5)	-	(15,866)
Purchases	12,511	13,876
Disposals	(22,332)	(16,742)
Decrease in fair value	(29,311)	(36,585)
Fair value as at 31 December	234,782	273,914

The geographical distribution of investments is as follows:

	2011 AED'000	2010 AED'000
Within UAE	222,182	258,544
Outside UAE	12,600	15,370
	234,782	273,914

9 Insurance receivables and prepayments

	2011 AED'000	2010 AED'000
Policy holders	73,951	81,675
Provision for impairment	(22,756)	(20,227)
	51,195	61,448
Amounts due from related parties (note 10)	20,232	16,101
Insurance and reinsurance companies	13,778	14,980
Prepayments and other receivables	6,815	6,146
	92,020	98,675

The average credit period on insurance contracts is 90 days. No interest is charged on insurance and other receivables.

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

9 Insurance receivables and prepayments (continued)

Included in the Company's insurance and other receivable balances are receivables with a carrying amount of AED 21 million (2010: AED 26 million) 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 31.2 million (2010: AED 18.9 million) is due from the Company's 5 largest customers. There are 10 (2010: 16) other customers who represent more than 35% (2010: 36 %) of the total balance of due from policy holders.

Ageing of insurance receivables:

	2011 AED'000	2010 AED'000
Not past due	30,225	35,481
Past due but not impaired		
91 to 180 days	10,748	10,240
181 to 365 days	7,225	10,877
More than 1 year	2,997	4,850
	20,970	25,967
Past due and impaired		
181 to 365 days	6,469	10,133
More than 1 year	16,287	10,094
	22,756	20,227
Total due from policy holders	73,951	81,675

Movement in the allowance of doubtful debts:

	2011 AED'000	2010 AED'000
At 1 January	20,227	16,514
Impairment losses recognised	2,619	3,713
Amounts written off during the year	(90)	-
At 31 December	22,756	20,227

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

10 Related parties

Related parties comprise the Shareholders, Directors and key management personnel 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 the following commercial transactions:

	2011 AED'000	2010 AED'000
Gross premiums written	29,328	23,493
Claims paid	(3,753)	(5,796)
Directors' remuneration	-	630
Remuneration of key management personnel:		
Short term benefits	4,657	4,449
Employees' end of service benefits	280	257
	4,937	4,706

The remuneration of Directors is paid as an appropriation out of the profit of the year. In respect of the current year, Directors' remuneration amounting to AED 630,000 has been proposed. The remuneration of Directors is subject to approval by the Shareholders at the Annual General Meeting 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.

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 2011 and 2010.

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

11 Insurance contract liabilities

	2011 AED'000	2010 AED'000
Insurance liabilities		
- Claims reported unsettled	188,728	187,854
- Claims incurred but not reported	1,000	1,000
- Unearned premiums	125,690	107,751
	<hr/> 315,418	<hr/> 296,605
Recoverable from re-insurers		
- Claims reported unsettled	82,555	86,744
- Unearned premiums	53,067	43,409
	<hr/> 135,622	<hr/> 130,153
Insurance liabilities - net		
- Claims reported unsettled	106,173	101,110
- Claims incurred but not reported	1,000	1,000
- Unearned premiums	72,623	64,342
	<hr/> 179,796	<hr/> 166,452

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

11 Insurance contract liabilities (continued)

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

	2011			2010		
	Gross AED'000	Re-insurance AED'000	Net AED'000	Gross AED'000	Re-insurance AED'000	Net AED'000
Claims						
Notified claims	187,854	86,744	101,110	162,293	74,111	88,182
Incurred but not reported	1,000	-	1,000	1,000	-	1,000
Total at the beginning of the year						
Claims settled	188,854	86,744	102,110	163,293	74,111	89,182
Increase in liabilities	(198,346)	(74,158)	(124,188)	(151,624)	(39,542)	(112,082)
	199,220	69,969	129,251	177,185	52,175	125,010
Total at the end of the year	189,728	82,555	107,173	188,854	86,744	102,110
Notified claims						
Incurred but not reported	188,728	82,555	106,173	187,854	86,744	101,110
	1,000	-	1,000	1,000	-	1,000
Total at the end of the year	189,728	82,555	107,173	188,854	86,744	102,110
Unearned premium						
Total at the beginning of the year	107,751	43,409	64,342	108,013	41,315	66,698
Increase during the year	325,334	143,205	182,130	279,840	118,338	161,502
Release during the year	(307,395)	(133,547)	(173,849)	(280,102)	(116,244)	(163,858)
Net increase/(decrease) during the year	17,939	9,658	8,281	(262)	2,094	(2,356)
Total at the end of the year	125,690	53,067	72,623	107,751	43,409	64,342

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

12 Cash and cash equivalents

	2011 AED'000	2010 AED'000 (Restated)
Bank and cash	65,799	5,401
Term deposits	43,573	115,781
Cash and bank balances	109,372	121,182
Bank overdraft	(63,536)	(112,396)
Term deposits with original maturity over 3 months	(17,244)	(23,293)
Statutory deposits	(4,500)	(4,500)
Cash and cash equivalents	24,092	(19,007)

Term deposits are held locally in financial institutions. The original maturity ranges from one to twelve months. Interest is receivable at annual rates ranging from 1.0%% to 3.5% per annum (2010: 3.4% per annum).

In accordance with the requirements of Federal Law No. 6 of 2007, concerning Insurance Companies and Agents, the Company maintain a bank deposit of AED 4,500,000 (2010: AED 4,500,000) which cannot be utilised without the consent of the UAE Insurance Authority.

13 Share capital

Share capital at 31 December 2011 and 2010 comprises of 120,000,000 authorised, issued and fully paid ordinary shares with a par value of AED 1 each.

14 Legal reserve

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

15 Statutory reserve

As required by the Company's Article of Association, 10% of the profit for the year is required to be transferred to the statutory reserve. The Company has resolved to discontinue further transfers effective 1 January 2010 as the reserve equals 25% of the paid up share capital. This reserve is not available for distribution.

16 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors as per the authority granted to them in the Company's Article of Association. This reserve may be used for such purposes as they deem fit.

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

17 Capital reserve

In accordance with the Board of Directors' resolution which was adopted by the Shareholders in their Annual General Meeting held on 19 May 1999, this reserve is earmarked for the settlement of any claims with respect to the compensating the old non-national shareholders. In 2011, AED Nil (2010: AED Nil) was paid to previous shareholders.

18 Proposed cash dividends and bonus shares

In respect of the current year, the Board of Directors propose a cash dividend of AED 0.10 per share (2010: AED 0.10 per share) amounting to AED 12 million (2010: AED 12 million) and bonus shares of 50% (2010: Nil%). The cash dividend and bonus shares are subject to the approval of the Shareholders at the Annual General Meeting.

19 End of service benefits

	2011 AED'000	2010 AED'000
At 1 January	4,183	3,470
Charge for the year	1,432	819
Paid during the year	(431)	(106)
At 31 December	5,184	4,183

20 Bank borrowings

	2011 AED'000	2010 AED'000
Bank overdraft	63,536	112,396
Term loan	14,000	24,000
	77,536	136,396
The borrowings are repayable as follows:		
On demand or within one year	73,536	122,396
In the second year	4,000	10,000
In the third year	-	4,000
	77,536	136,396
Less: Amount due for settlement within 12 months	(73,536)	(122,396)
Amount due for settlement after 12 months	4,000	14,000

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

20 Bank borrowings (continued)

Bank overdraft

This represents bank overdraft on the Company's banking accounts. Interest is charged at the rate of 1 month EIBOR plus 2.5% per annum.

The bank overdraft is secured by the pledge over local shares with market value of AED 87.0 million. The Bank reserves the right to charge penalty interest at 2% per annum over and above the stipulated interest rate for any balances and or drawings in excess of the eligible limit, which represents the value of existing shares pledged with the Bank.

Term loan

A term loan was obtained from a local bank to finance the construction of the Abu Dhabi Head Office building. The loan is repayable over a period of 2 years. It carries interest at a variable rate of EBOR plus 2% per annum. The loan is secured by first degree mortgage on a commercial building on Plot No. C-128, Sector East 11 Abu Dhabi, assignment of rental income generated from the mentioned property and assignment of insurance policies of the same property.

21 Trade and other payables

	2011 AED'000	2010 AED'000
Accounts payable	19,373	25,866
Insurance and reinsurance balances payable	34,198	33,232
Accrued expenses	16,775	14,388
Other payables	5,072	5,249
	<u>75,418</u>	<u>78,735</u>

The average credit period is 60 days. No interest is charged on account payable. The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

22 Other expenses

	2011 AED'000	2010 AED'000
Staff costs	14,284	15,077
Depreciation on property and equipment (note 5)	1,341	866
Allowance for doubtful receivables, net	2,619	3,713
Others	4,405	1,616
	<u>22,649</u>	<u>21,272</u>

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

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.

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:

Non-Motor - Gross:

Underwriting year	2007 and earlier AED'000	2008 AED'000	2009 AED'000	2010 AED'000	2011 AED'000	Total AED'000
At the end of the underwriting year	82,817	34,785	22,377	44,504	55,648	-
One year later	91,440	77,980	73,616	109,271	-	-
Two years later	90,934	81,074	71,494	-	-	-
Three years later	89,335	84,832	-	-	-	-
Four years later	83,230	-	-	-	-	-
Current estimate of cumulative claims	83,230	84,832	71,494	109,271	55,648	404,475
Cumulative payments to date	(61,598)	(54,893)	(65,414)	(90,415)	-	(272,320)
Liability recognised in the statement of financial position	21,632	29,939	6,080	18,856	55,648	132,155

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

26 Insurance risks (continued)

Motor - Gross:

Accident year	2007 and earlier AED'000	2008 AED'000	2009 AED'000	2010 AED'000	2011 AED'000	Total AED'000
At the end of the underwriting year	33,953	20,950	43,444	48,224	19,353	-
One year later	37,205	90,922	78,916	37,907	-	-
Two years later	44,630	67,021	46,423	-	-	-
Three years later	37,878	63,134	-	-	-	-
Four years later	41,576	-	-	-	-	-
Current estimate of cumulative claims	41,576	63,134	46,423	37,907	19,353	208,393
Cumulative payments to date	(35,009)	(53,944)	(34,181)	(27,686)	-	(150,820)
Liability recognised in the statement of financial position	<u>6,567</u>	<u>9,190</u>	<u>12,242</u>	<u>10,221</u>	<u>19,353</u>	<u>57,573</u>

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 200,000 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.

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

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.

<u>Type of risk</u>	<u>Year ended 31 December 2011</u>		<u>Year ended 31 December 2010</u>	
	<u>Gross loss ratio</u>	<u>Net loss ratio</u>	<u>Gross loss ratio</u>	<u>Net loss ratio</u>
Motor	48%	46%	61%	64%
Non-Motor	66%	90%	64%	90%

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

26 Insurance risk (continued)

Process used to decide on assumptions

The risks associated with the insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the 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.

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.

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

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

26 Insurance risk (continued)

Concentration of insurance risk

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

<u>Type of risk</u>	<u>Year ended 31 December 2011</u>		<u>Year ended 31 December 2010</u>	
	<u>Gross</u> AED'000	<u>Net</u> AED'000	<u>Gross</u> AED'000	<u>Net</u> AED'000
<u>Motor</u>				
UAE	985,851	963,059	1,201,449	1,063,278
GCC countries	109,233	107,283	117,316	113,866
Others	-	-	-	-
	<u>1,095,084</u>	<u>1,070,342</u>	<u>1,318,765</u>	<u>1,177,144</u>
<u>Non-Motor</u>				
UAE	102,286,288	95,898,467	48,603,888	47,663,449
GCC countries	210,792	210,792	-	-
Others	1,046,288	291,205	-	-
	<u>103,543,368</u>	<u>96,400,464</u>	<u>48,603,888</u>	<u>47,663,449</u>
Grand Total	<u>104,638,452</u>	<u>97,470,806</u>	<u>49,922,653</u>	<u>48,840,593</u>

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Company amounts to AED 37 million for the year ended 31 December 2011 (2010: AED 34 million). The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 62% and the same is mainly contributed by one class of business i.e., Motor line wherein the retention level is 95%. 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 26% (2010: 30%) of the net underwriting profit predominantly from the reinsurance placement which remains as a comfortable source of income.

Because of low risk retention in 41% 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 55% - 60% and does not foresee any serious financial impact in the insurance net profit.

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

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.

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.

	2011	2010
	AED'000	AED'000
Total Shareholders' equity	417,034	442,274
Minimum regulatory capital	100,000	100,000

24.2 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.

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

27 Financial instruments (continued)

27.3 Categories of financial instruments

	2011 AED'000	2010 AED'000
Financial assets		
Investments designated at FVTOCI	301,837	316,837
Insurance and other receivables	92,020	98,675
Statutory deposit	4,500	4,500
Term deposits	43,573	115,781
Bank and cash	61,299	901
Total	503,229	536,694
Financial liabilities		
Insurance and other payables	75,418	78,735
Bank borrowings	77,536	136,396
Total	152,954	215,131

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 5% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Company's:

- Cumulative changes in fair value reserves would increase/decrease by AED 10.9 million (2010: increase/decrease by AED 14.5 million) for the Company as a result of the changes in fair value of quoted shares.

27.5 Foreign currency risk management

Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations and consequently, the Company does not hedge foreign currency exposure.

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

27 Financial instruments (continued)

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 9.

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

At 31 December 2011 and 2010, virtually all of the deposits were placed with 5 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.

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

27 Financial instruments (continued)

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.

	On demand AED'000	Up to 1 year AED'000	More than 1 year AED'000	Total AED'000
31 December 2011				
Bank overdraft	63,536	-	-	63,536
Trade and other payables	-	58,643	-	58,643
Term loan	-	10,000	4,000	14,000
Total	63,536	68,643	4,000	136,179
31 December 2010				
Bank overdraft	112,396	-	-	112,396
Trade and other payables	-	64,347	-	64,347
Term loan	-	10,000	14,000	24,000
Total	112,396	74,347	14,000	200,743

27.8 Interest risk management

The Company's exposure to interest rate risk relates to its term deposits, bank loans and bank overdrafts.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing financial assets and liabilities assuming the amount of assets and liabilities 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 2011 would increase/decrease by AED 339,630 (2010: AED 206,150).

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

27 Financial instruments (continued)

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).

<u>31 December 2011</u>	<u>Level 1</u> <u>AED'000</u>	<u>Level 2</u> <u>AED'000</u>	<u>Level 3</u> <u>AED'000</u>	<u>Total</u> <u>AED'000</u>
<i>Financial assets designated at FVTOCI</i>				
Equities	217,868	16,914	-	234,782
	<hr/>	<hr/>	<hr/>	<hr/>
<u>31 December 2010</u>				
<i>Financial assets designated at FVTOCI</i>				
Equities	251,981	21,933	-	273,914
	<hr/>	<hr/>	<hr/>	<hr/>

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

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

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 marine, aviation, fire, general accident and miscellaneous.

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

Information regarding the Company's reportable segments is presented below.

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

28 Segment information (continued)

Primary segment information- business segment

	2011				2010			
	Marine and aviation AED'000	Fire and general accident AED'000	Investments AED'000	Total AED'000	Marine and aviation AED'000	Fire and general accident AED'000	Investments AED'000	Total AED'000
Gross premiums written	29,624	295,710	-	325,334	27,899	251,941	-	279,840
Reinsurance premium ceded	(28,099)	(115,106)	-	(143,205)	(26,171)	(92,167)	-	(118,338)
Movement in provision for unearned premiums	51	(8,332)	-	(8,281)	(136)	2,492	-	2,356
Net claims incurred	(668)	(128,583)	-	(129,251)	(921)	(124,089)	-	(125,010)
Net commission earned	3,566	6,010	-	9,576	2,934	7,404	-	10,338
Rental income	-	-	12,128	12,128	-	-	11,590	11,590
Investment loss, net	-	-	(6,350)	(6,350)	-	-	(2,416)	(2,416)
General and administrative expenses relating to underwriting	(1,535)	(15,318)	-	(16,853)	(1,503)	(13,574)	-	(15,077)
Segment profit	2,939	34,381	5,778	43,098	2,102	32,007	9,174	43,283
Unallocated general and administrative expenses				(27,289)				(29,098)
Profit for the year				15,809				14,185

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

28 Segment information (continued)

Primary segment information- business segment

	2011			2010		
	Underwriting AED'000	Investments AED'000	Total AED'000	Underwriting AED'000	Investments AED'000	Total AED'000
Segment assets						
Unallocated assets	286,671	592,664	879,335	228,828	719,163	947,991
Total assets			11,255			10,202
			<u>890,590</u>			<u>958,193</u>
Segment liabilities						
Unallocated liabilities	368,475	70,203	438,678	349,871	118,902	468,773
Total liabilities			34,878			47,146
			<u>473,556</u>			<u>515,919</u>

There are no transactions between the business segments.

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

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.

	2011 AED'000	2010 AED'000
Motor	85,426	83,468
Engineering	32,466	32,706
Fire and General Accidents	34,600	40,810
Marine and Aviation	33,715	31,483
Life, Medical and Personal Assurance	169,871	118,869
	<u>356,078</u>	<u>307,336</u>

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.

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

	Revenue		Total assets	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
UAE	334,265	288,778	850,814	919,256
Europe	21,813	18,558	39,776	38,937
	<u>356,078</u>	<u>307,336</u>	<u>890,590</u>	<u>958,193</u>

29 Contingent liabilities

At 31 December 2011, the Company had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 10.4 million (2010: AED 14.8 million).

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

30 Comparatives

The financial statements for the year ended 31 December 2010 have been restated due to the correction of a prior period error relating to the proposed dividends and the term deposits with original maturity over 3 months.

The effect of the restatement on these financial statements is summarised below:

	As Previously reported AED'000	Restatement AED'000	Reclassification AED'000	As Restated AED'000
<i><u>Statement of financial position</u></i>				
Retained earnings	180,165	12,000	-	192,165
Proposed dividends	12,000	(12,000)	-	-
<i><u>Statement of cash flows</u></i>				
Cash and cash equivalent at beginning of the year	4,286	(23,293)	-	(19,007)
Increase in term deposits with original maturity over 3 months	-	23,293	-	23,293

31 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting on 15 February 2012.