Oman Insurance Company

(Public Shareholding Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF OMAN INSURANCE COMPANY (PSC)

Report on the Financial Statements

We have audited the accompanying financial statements of Oman Insurance Company (PSC) (the "Company") and its subsidiary (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2009, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Oman Insurance Company (PSC), the UAE Commercial Companies Law of 1984 (as amended) and the UAE Federal Law No. (6) of 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 auditors' judgement, 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 for 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 the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the articles of association of Oman Insurance Company (PSC), the UAE Commercial Companies Law of 1984 (as amended) and the UAE Federal Law No. (6) of 2007; proper books of account have been kept by Oman Insurance Company (PSC), and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the articles of association of Oman Insurance Company (PSC), the UAE Commercial Companies Law of 1984 (as amended) and the UAE Federal Law No. (6) of 2007 have occurred during the year which would have had a material effect on the business of Oman Insurance Company (PSC) or on its financial position.

Ernst & Young

Signed by:
Farrukh Seer
Partner
Registration No. 491

28 January 2010
Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2009

	Notes	**2009 AED'000**	2008 AED'000
UNDERWRITING INCOME			
Gross premiums		**2,337,733**	2,135,467
Movement in provision for unearned premiums		**(12,043)**	(222,656)
Insurance premium revenue	3	**2,325,690**	1,912,811
Reinsurers' share of premium	3	**(1,072,484)**	(916,349)
Net insurance premium revenue		**1,253,206**	996,462
Reinsurance commission income		**153,722**	160,388
Other operating income		**14,720**	10,689
		1,421,648	1,167,539
UNDERWRITING EXPENSES			
Claims	4	**1,442,658**	1,141,724
Reinsurers' share of claims	4	**(837,215)**	(600,117)
Commissions paid		**216,442**	206,909
Excess of loss reinsurance premiums		**44,585**	36,860
Policies surrendered and maturities paid		**5,950**	2,587
General and administration expenses relating to underwriting activities		**200,097**	125,640
		1,072,517	913,603
UNDERWRITING PROFIT BEFORE MOVEMENTS IN LIFE ASSURANCE FUND		**349,131**	253,936
INCREASE IN LIFE ASSURANCE FUND	26(b)	**(31,238)**	(33,828)
NET UNDERWRITING INCOME		**317,893**	220,108
INVESTMENT INCOME			
Realised gains (losses) - net	6	**69,250**	(61,955)
Unrealised fair value (losses) gains - net	7	**(212,074)**	116,295
Other investment income	8	**70,938**	77,208
Impairment of available for sale securities		**-**	(35,012)
Investment expenses – finance costs		**(36,876)**	(37,236)
		(108,762)	59,300
OTHER INCOME AND EXPENSES			
General and administration expenses not allocated		**(12,380)**	(25,617)
Interest expense		**(7,758)**	(4,065)
Other income		**642**	513
		(19,496)	(29,169)
PROFIT FOR THE YEAR	9	**189,635**	250,239
Basic earnings per share (AED)	11	**0.46**	0.62

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For year ended 31 December 2009

	Notes	***2009 AED'000***	*2008 AED'000*
Profit for the year		**189,635**	250,239
Other comprehensive income			
Unrealised loss on investments		**(36,539)**	(782,998)
Reclassification adjustment for gain included in statement of income	6	**(69,250)**	(92,700)
Realized loss on sale of investments at fair value through other comprehensive income		**(47)**	-
Impairment of available-for-sale securities		-	35,012
Other comprehensive loss for the year		**(105,836)**	(840,686)
Total comprehensive income (loss) for the year		**83,799**	(590,447)

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Notes	2009 AED'000	(Restated) 2008 AED'000
ASSETS			
Property and equipment	12	**363,350**	336,755
Investment properties	13	**230,649**	405,113
Advances for investment properties	14	**133,353**	159,646
Financial investments	15	**1,637,053**	1,786,669
Reinsurance assets	26	**1,100,529**	919,975
Insurance receivables	16	**898,411**	781,567
Prepayments and other assets	17	**75,935**	74,688
Statutory deposits	18	**25,938**	25,938
Cash and cash equivalents	19	**516,892**	463,174
TOTAL ASSETS		**4,982,110**	4,953,525
EQUITY AND LIABILITIES			
Equity			
Share capital	20	**381,713**	381,713
Statutory reserve	21	**176,123**	157,160
Cumulative changes in fair values of securities		**(451,241)**	(320,208)
Strategic reserve	22	**303,750**	303,750
General reserve	23	**674,648**	630,990
Contingency reserve	24	**608**	61
Retained earnings		**261,385**	315,577
Proposed dividend – cash	25	**152,685**	190,857
Proposed dividend – scrip	25	**38,171**	-
Total equity		**1,537,842**	1,659,900
Liabilities			
Insurance contract liabilities	26	**1,959,116**	1,722,457
Financial liabilities			
Borrowings	27	**707,255**	770,693
Other financial liabilities	28	**145,097**	165,108
Insurance payables	29	**480,785**	503,870
Trade and other payables	30	**152,015**	131,497
Total liabilities		**3,444,268**	3,293,625
TOTAL EQUITY AND LIABILITIES		**4,982,110**	4,953,525

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 28 January 2010

H.E. Matar Humaid Al Tayer
Chairman

Buti Saaed Al Ghandi
Vice Chairman

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	*2009* *AED'000*	*2008* *AED'000*
OPERATING ACTIVITIES			
Profit for the year		**189,635**	250,239
Adjustments for:			
Depreciation	12	**8,461**	5,011
Unrealised loss (gain) on investment properties	7	**174,464**	(153,967)
Impairment of advances for investment properties	7	**39,000**	-
Gain on sale of financial investments, available-for-sale	6	**(69,250)**	(92,700)
Impairment of available-for-sale investments		-	35,012
Gain on sale of investment properties	6	-	(57,739)
Gain on sale of office equipment and vehicles		-	(12)
		342,310	(14,156)
Changes in operating assets and liabilities:			
Financial investments at fair value through profit or loss		**(150,565)**	19,523
Reinsurance assets		**(180,554)**	(215,310)
Insurance receivables		**(116,844)**	(333,565)
Prepayments and other assets		**(1,247)**	(30,848)
Insurance contract liabilities		**236,659**	500,898
Insurance payables		**(23,085)**	183,596
Trade and other payables		**16,518**	37,669
Net cash from operating activities		**123,192**	147,807
INVESTING ACTIVITIES			
Purchase of office equipment and vehicles	12	**(35,056)**	(15,812)
Proceeds from sale of office equipment and vehicles		-	200
Financial investments available-for sale		**290,722**	38,873
Financial investments at fair value through OCI		**(27,127)**	-
Statutory deposits		-	(3,365)
Proceeds from sale of investments properties		-	128,356
Advances paid for purchase of investment properties	14	**(12,707)**	(159,646)
Purchase of investment properties		-	(143,947)
Net cash from (used in) investing activities		**215,832**	(155,341)
FINANCING ACTIVITIES			
Dividend paid		**(190,857)**	(98,963)
Directors' fees		**(11,000)**	(14,000)
Borrowings, other than bank overdrafts		**(126,846)**	155,010
Other financial liabilities		**(20,011)**	31,606
Net cash (used in) from financing activities		**(348,714)**	73,653
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(9,690)**	66,119
Cash and cash equivalents at 1 January		**359,481**	293,362
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	**349,791**	359,481

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Notes	Share capital AED'000	Statutory reserve AED'000	Cumulative change in fair values of securities AED'000	Strategic reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Retained earnings AED'000	Proposed dividends AED'000	Total AED'000
Balance at 1 January 2008		282,750	132,136	520,478	303,750	571,930	-	354,340	197,926	2,363,310
Profit for the year		-	-	-	-	-	-	250,239	-	250,239
Other comprehensive income		-	-	(840,686)	-	-	-	-	-	(840,686)
Total comprehensive income for the year		-	-	(840,686)	-	-	-	250,239	-	(590,447)
Transfer to statutory reserve	21	-	25,024	-	-	-	-	(25,024)	-	-
Directors' fees		-	-	-	-	-	-	(14,000)	-	(14,000)
Transfer to general reserve	23	-	-	-	-	59,060	-	(59,060)	-	-
Transfer to contingency reserve	24	-	-	-	-	-	61	(61)	-	-
Cash dividend paid	25	-	-	-	-	-	-	-	(98,963)	(98,963)
Scrip dividend	25	98,963	-	-	-	-	-	-	(98,963)	-
Proposed cash dividend	25	-	-	-	-	-	-	(190,857)	190,857	-
Balance at 31 December 2008		381,713	157,160	(320,208)	303,750	630,990	61	315,577	190,857	1,659,900
		(Note 20)	(Note 21)		(Note 22)	(Note 23)	(Note 24)		(Note 25)	

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

	Notes	*Share capital AED'000*	*Statutory reserve AED'000*	*Cumulative change in fair values of securities AED'000*	*Strategic reserve AED'000*	*General reserve AED'000*	*Contingency reserve AED'000*	*Retained earnings AED'000*	*Proposed dividends AED'000*	*Total AED'000*
Balance at 1 January 2009		381,713	157,160	(320,208)	303,750	630,990	61	315,577	190,857	1,659,900
Impact of early adoption of IFRS 9	2.2	-	-	(25,244)	-	-	-	25,244	-	-
As restated		**381,713**	**157,160**	**(345,452)**	**303,750**	**630,990**	**61**	**340,821**	**190,857**	**1,659,900**
Profit for the year		-	-	-	-	-	-	189,635	-	189,635
Other comprehensive income		-	-	(105,789)	-	-	-	(47)	-	(105,836)
Total comprehensive income for the year		-	-	(105,789)	-	-	-	189,588	-	83,799
Transfer to statutory reserve	21	-	18,963	-	-	-	-	(18,963)	-	-
Directors' fees		-	-	-	-	-	-	(15,000)	-	(15,000)
Transfer to general reserve	23	-	-	-	-	43,658	-	(43,658)	-	-
Transfer to contingency reserve	24	-	-	-	-	-	547	(547)	-	-
Cash dividend paid	25	-	-	-	-	-	-	-	(190,857)	(190,857)
Scrip dividend	25	-	-	-	-	-	-	(38,171)	38,171	-
Proposed cash dividend	25	-	-	-	-	-	-	(152,685)	152,685	-
Balance at 31 December 2009		**381,713**	**176,123**	**(451,241)**	**303,750**	**674,648**	**608**	**261,385**	**190,856**	**1,537,842**
		(Note 20)	*(Note 21)*		*(Note 22)*	*(Note 23)*	*(Note 24)*		*(Note 25)*	

The attached notes 1 to 38 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Oman Insurance Company (PSC), which was established by an Amiri Decree issued by His Highness The Ruler of Dubai, is a public shareholding company and is registered under Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the UAE. The Company is a subsidiary of Mashreq Bank (PSC) incorporated in the Emirate of Dubai. Its registered head office is at P O Box 5209, Dubai, United Arab Emirates.

The Company mainly issues short term insurance contracts in connection with property, motor, aviation and marine risks (collectively known as general insurance) and medical, group life and personal accident risks (included within life assurance). Furthermore, the Company has a relatively small portfolio of life assurance contracts. The Company also invests its funds in investment securities and properties.

The Company also operates in Oman through a branch. During the period, the Company also commenced operations at its Qatar (Doha) branch.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of investment properties and those financial instruments that have been measured at fair value.

The consolidated financial statements have been presented in UAE Dirhams and all values are rounded to the nearest thousand (AED 000) except when otherwise indicated.

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of income unless required or permitted by any accounting standard or interpretation.

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and applicable requirements of UAE Law.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December. The financial statements of the subsidiary are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-Company balances, transactions, income and expenses and profits and losses resulting from intra-Company transactions that are recognised in assets, are eliminated in full.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases.

The extent of shareholding in, and the principal activities of the subsidiary company are as follows:

Subsidiary Company	*Country of incorporation*	*Percentage shareholding*	*Principal activities*
Equator Trading Enterprises LLC	U.A.E.	100%	The subsidiary was formed on 25 December 2005 with a paid up capital of AED 3,000,000. The subsidiary primarily trades in quoted securities in the UAE.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows.

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009 which have had an impact on the financial statements:

IFRS 9 Financial Instruments: (Phase 1)
The Company has early adopted IFRS 9 during the year. On 12 November 2009, the International Accounting Standards Board published the first phase of IFRS 9 *Financial Instruments*, the accounting standard that will eventually replace IAS 39 *Financial Instruments: Recognition and Measurement.*

Phase 1 of IFRS 9 is applicable to all financial assets within the scope of IAS 39. All financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or profit or loss. This is an irrevocable choice the entity makes by instrument unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss.

The Company has applied the new standard from 1 January 2009 and reclassified with effect from 1 January 2009 all available for sale securities that were still held at 31 December 2009 as fair value through OCI. As part of the retrospective application of IFRS 9, impairment charges recorded in the statement of income in prior periods in respect of available for sale investments of AED 25,244 thousand have been reclassified from retained earnings to cumulative change in fair values of securities.

Restatement of comparative figures has not been performed following adoption of this standard as it is not required for early adoption of IFRS 9. If IFRS 9 had not been adopted in 2009, the impact of impairment losses on available for sale investments held as of 31 December 2009 would have been to reduce the profit for the year by AED 364 million and to increase the other comprehensive loss for the year by the same amount. Earnings per share would have been (0.49) per share. There is no impact on total comprehensive income or equity following the adoption of IFRS 9.

IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 35B. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 15.

IFRS 8 Operating Segments
IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Company concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 5, including the related comparative information.

IAS 1 Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Premiums earned
Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Premiums on general insurance policies are accounted for on the date of writing of policies except premium income on marine cargo policies which is accounted for on the expected date of voyage. Premiums are adjusted for unearned premium.

Premiums on life assurance policies are accounted for on the date of writing of policies and on subsequent due dates.

Reinsurance premiums
Gross reinsurance premiums on life assurance contracts are recognized as an expense when payable or on the date on which the policy is effective.

Gross general reinsurance premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unincurred reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unincurred reinsurance premiums are deferred over the policy term on the same basis as the associated insurance contract. The unincurred reinsurance premiums are included in reinsurance assets in the statement of financial position.

Commissions earned
Commissions earned are recognised at the time policies are written.

Other investment income
(i) Interest income is recognised on a time proportion basis.
(ii) Dividend income is accounted for when the right to receive payment is established.

Realised gains and losses
Realised gains and losses on investments recorded in the statement of income or in the statement of comprehensive income include gains and losses on financial investments and on investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost less previously recognised impairment losses and are recorded on occurrence of the sale transaction.

Trade and settlement date accounting
All "regular way" purchases and sale of financial investments are recognised on the "trade date", i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Claims
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries are charged to income as incurred. Provision for incurred but not reported claims is included within additional reserve.

The Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account for that year.

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost
Interest paid is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

Policy acquisition costs
Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the statement of income when incurred.

Leases
The Company has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

Liability adequacy test
At each reporting date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

General and administration expenses
Direct expenses of general insurance business are charged to respective departmental revenue accounts. Indirect expenses of the general insurance business are allocated to departmental revenue accounts on the basis of net retained premiums of each department. Other administration expenses are charged to the statement of income.

Income tax
Taxation is provided for in accordance with fiscal regulations of Oman and Qatar.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation
The presentation currency is UAE Dirhams (AED). This is also the functional currency of the Parent Company and its subsidiary. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income, except when they relate to gains or losses which are recognised in other comprehensive income. The exchange differences on such items are also recognised in other comprehensive income.

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

Product classification
Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

Property and equipment
Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	over 3 to 5 years
Motor vehicles	over 5 years

No depreciation is charged on capital work in progress.

The assets' residual values, and useful lives and method are reviewed and adjusted if appropriate at each financial year end.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognised.

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultant or broker's quotes.

Fair value of financial instruments
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

2 ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

At initial recognition, all financial assets are measured at fair value.

Equity investments

For subsequent measurements, all financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or through profit or loss. This is an irrevocable choice that the Company has made on early adoption of IFRS 9 – Phase 1 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss.

Gain or loss on disposal of equity investments are not recycled.

Dividend income for all equity investments are recorded through profit or loss.

Debt instruments

Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

i. the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
ii. the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All regular way purchases and sales of financial assets are recognised on the trade date ie the date the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Derecognition of financial instruments

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement
- The Company has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of income.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance (continued)
Gains or losses on buying reinsurance are recognized in the statement of income immediately at the date of purchase and are not amortized.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Insurance receivables
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described above have been met.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Insurance contract liabilities

(i) Unearned premium reserve
At the end of each year a proportion of net retained premiums of the general insurance, medical and life business is provided to cover portions of risks which have not expired at the reporting date. The reserves are calculated in accordance with regulations relating to insurance companies at 40% of annual premiums earned net of reinsurance for all classes of insurance except marine which is calculated at 25% and for medical and life business which is calculated on a time proportion basis.

(ii) Additional reserve
A provision is made for the estimated excess of potential claims over unearned premiums, as well as for claims incurred but not reported at the reporting date and for potential shortfall in unearned premium reserve due to the use of 40% basis for computing unearned premium for non-life business except marine.

The reserves represent the management's best estimates on the basis of:

a) claims reported during the year
b) delay in reporting these claims
c) shortfall in unearned premium reserve by reference to 1/8th method, except marine class of business.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contract liabilities (continued)

(iii) Life assurance fund
The fund is determined by independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience and industry mortality tables. Adjustments to the balance of the fund are effected by charges or credits to income.

(iv) Outstanding claims
Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

Borrowings
Borrowings and loans are initially recognised at fair value, net of issue costs and any discount or premium on settlement. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest rate method.

Borrowing costs are recognised as an expense when incurred.

Payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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

Employees' end of service benefits
The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of properties
Management decides whether a property under construction will be used upon completion as owner-occupied property or for renting out to third parties. If used as owner-occupied property, the value in use of the property is determined as part of the cash generating unit to which it belongs. Otherwise, the asset is classified as investment property and its fair value is determined on an individual asset basis.

Classification of investments
Management decides on acquisition of an investment whether it should be classified as fair value through statement of income or at fair value through OCI.

2 ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgements (continued)

Additional reserve

The Company, based on past experience, uses $1/8^{th}$ method to assess potential shortfall in unearned premium reserve, except marine class of business where an additional reserve calculation for unearned premium is not performed.

Life assurance fund

Mortality and withdrawal rate assumptions used in actuarial valuation of life fund are based on experience and the most current industry standard mortality table.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

In view of limited financial information available for unquoted equity investments, their fair values are adjusted based on latest financial statements of investees and other known indicators of changes in their business.

Provision for outstanding claims, whether reported or not

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying and significant degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Impairment losses on insurance receivables

The Company reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant insurance receivables, the Company also makes a collective impairment provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

Reinsurance

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Impairment losses on advances

The recoverable amount used in the assessment of impairment of contract advances requires significant application of judgment to estimate future property rental incomes and future property residual values.

3 NET INSURANCE PREMIUM REVENUE

Year 2009	***General Insurance***			***Life Assurance***			***Total***		
	Gross AED'000	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***
Insurance contracts premium receivable	1,695,243	(741,158)	954,085	642,490	(320,393)	322,097	2,337,733	(1,061,551)	1,276,182
Movement in provision for unearned premiums	(25,604)	(2,394)	(27,998)	13,561	(8,539)	5,022	(12,043)	(10,933)	(22,976)
Insurance premium revenue	**1,669,639**	**(743,552)**	**926,087**	**656,051**	**(328,932)**	**327,119**	**2,325,690**	**(1,072,484)**	**1,253,206**
Unearned premium as of 31 December (note 26)	**627,540**	**(271,484)**	**356,056**	**130,979**	**(64,656)**	**66,323**	**758,518**	**(336,140)**	**422,378**

Year 2008	*General Insurance*			*Life Assurance*			*Total*		
	Gross AED'000	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*
Insurance contracts premium receivable	1,620,574	(759,766)	860,808	514,893	(257,531)	257,362	2,135,467	(1,017,297)	1,118,170
Movement in provision for unearned premiums	(161,786)	70,959	(90,827)	(60,870)	29,989	(30,881)	(222,656)	100,948	(121,708)
Insurance premium revenue	1,458,788	(688,807)	769,981	454,023	(227,542)	226,481	1,912,811	(916,349)	996,462
Unearned premium as of 31 December (note 26)	601,936	(273,878)	328,058	144,540	(73,195)	71,345	746,476	(347,073)	399,403

Insurance contracts premium receivable includes AED 226,115 thousand (2008: AED 52,781 thousand) of reinsurance premium accepted.

4 CLAIMS

Year 2009

	General Insurance			*Life Assurance*			*Total*		
	Gross AED'000	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***
Claims paid	816,844	(361,747)	455,097	432,435	(283,981)	148,454	1,249,279	(645,728)	603,551
Changes in provision for outstanding claims	144,579	(161,087)	(16,508)	43,300	(30,400)	12,900	187,879	(191,487)	(3,608)
Movement in additional reserves (note 26(a))	3,500	-	3,500	2,000	-	2,000	5,500	-	5,500
	964,923	**(522,834)**	**442,089**	**477,735**	**(314,381)**	**163,354**	**1,442,658**	**(837,215)**	**605,443**

Year 2008

	General Insurance			*Life Assurance*			*Total*		
	Gross AED'000	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*
Claims paid	655,924	(324,054)	331,870	241,387	(161,702)	79,685	897,311	(485,756)	411,555
Changes in provision for outstanding claims	171,537	(88,698)	82,839	40,876	(25,663)	15,213	212,413	(114,361)	98,052
Movement in additional reserves (note 26(a))	32,000	-	32,000	-	-	-	32,000	-	32,000
	859,461	(412,752)	446,709	282,263	(187,365)	94,898	1,141,724	(600,117)	541,607

For details of the movement in the provision for outstanding claims and the related reinsurers' share, refer note 26(c).

5 SEGMENTAL INFORMATION

Primary segment information

For management purposes the Company is organised into three business segments, general insurance, life assurance and investment. The general insurance segment comprises property, motor and marine risks. The life assurance segment includes individual life, medical, group life and personal accident risks. Investment comprises investment, deposits with banks and cash management for the Company's own account. These segments are the basis on which the Company reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Segmental information is presented below:

	General insurance		*Life assurance*		*Total*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
UNDERWRITING INCOME						
Insurance premium revenue	**1,669,639**	1,458,788	**656,051**	454,023	**2,325,690**	1,912,811
Insurance premium ceded to reinsurers	**(743,552)**	(688,808)	**(328,932)**	(227,541)	**(1,072,484)**	(916,349)
Net insurance premiums revenue	**926,087**	769,980	**327,119**	226,482	**1,253,206**	996,462
Commission income	**153,722**	154,225	**-**	6,163	**153,722**	160,388
Other income	**4,581**	5,888	**10,139**	4,801	**14,720**	10,689
TOTAL INCOME	**1,084,390**	930,093	**337,258**	237,446	**1,421,648**	1,167,539
UNDERWRITING EXPENSES						
Claims	**964,923**	859,461	**477,735**	282,263	**1,442,658**	1,141,724
Reinsurers' share of claims	**(522,834)**	(412,752)	**(314,381)**	(187,365)	**(837,215)**	(600,117)
Net claims incurred	**442,089**	446,709	**163,354**	94,898	**605,443**	541,607
Commission expenses	**179,333**	174,881	**37,109**	32,028	**216,442**	206,909
Policies surrendered and maturities paid		-	**5,950**	2,587	**5,950**	2,587
General and administration	**162,564**	96,304	**37,533**	29,336	**200,097**	125,640
Excess of loss reinsurance premium	**44,585**	36,860	**-**	-	**44,585**	36,860
TOTAL EXPENSES	**828,571**	754,754	**243,946**	158,849	**1,072,517**	913,603
UNDERWRITING PROFIT BEFORE MOVEMENTS IN LIFE ASSURANCE FUND	**255,819**	175,339	**93,312**	78,597	**349,131**	253,936
INCREASE IN LIFE ASSURANCE FUND (Note 26(b))	**-**		**(31,238)**	(33,828)	**(31,238)**	(33,828)
NET UNDERWRITING INCOME	**255,819**	175,339	**62,074**	44,769	**317,893**	220,108
Investment						
TOTAL INVESTMENT (EXPENSE) INCOME					**(108,762)**	59,300
Unallocated other income and expenses					**(19,496)**	(29,169)
PROFIT FOR THE YEAR					**189,635**	250,239

5 SEGMENTAL INFORMATION (continued)

OTHER INFORMATION

	General insurance		*Life assurance*		*Investment*		*Total*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*	***2009***	*2008*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
Segment assets	**2,521,499**	2,052,382	**459,556**	233,590	**2,001,055**	2,667,553	**4,982,110**	4,953,525
Segment liabilities	**2,320,875**	2,373,204	**416,138**	149,728	**707,255**	770,693	**3,444,268**	3,293,625
Capital expenditure	**34,816**	14,970	**240**	842	-	-	**35,056**	15,812
Depreciation	**7,668**	4,031	**793**	980	-	-	**8,461**	5,011

Secondary segment information

For operational and management reporting purposes, the Company is organised as one geographical segment. Consequently, no secondary segment information is required to be provided.

6 REALISED GAINS (LOSSES) IN THE STATEMENT OF INCOME

	2009	*2008*
	AED'000	*AED'000*
On sale of investment properties	-	57,739
On sale of available-for-sale investments	**69,250**	92,700
On sale of investments held for trading	-	(212,394)
	69,250	(61,955)

7 UNREALISED FAIR VALUE GAINS AND LOSSES IN THE STATEMENT OF INCOME

	2009	*2008*
	AED'000	*AED'000*
Fair value (loss) gains on investment properties (note 13)	**(174,464)**	153,967
Impairment of advances for investment properties (note 14)	**(39,000)**	-
Fair value gains (losses) on financial assets at fair value through profit or loss (held for trading purposes)	**949**	(21,409)
Fair value gain (losses) on financial assets at fair value through profit or loss	**441**	(16,263)
Total fair value gains (losses) on financial assets at fair value through profit or loss (note 15)	**1,390**	(37,672)
	(212,074)	116,295

8 OTHER INVESTMENT INCOME

	2009 AED'000	*2008* AED'000
Financial investments at fair value through profit or loss (held for trading purposes)		
Dividend income	**10,434**	5,475
Financial investments at fair value through profit for loss (designated upon initial recognition)		
Interest income	**13,359**	12,984
Financial investments at fair value through OCI (2008:available for sale investments)		
Dividend income	**30,440**	48,173
Cash and cash equivalents interest income	**15,735**	10,018
Statutory deposits - interest income	**970**	558
	70,938	77,208

9 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2009 AED'000	*2008* AED'000
Staff costs	**106,684**	90,899
Rental costs – operating leases	**27,121**	8,838

10 INCOME TAX

The tax rate applicable to Oman branch is 12%. For the purpose of determining the tax result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The branch has incurred an accounting loss and taxable loss during the year. Therefore, the applicable tax rate is nil. The average effective tax rate cannot be determined in view of the taxable loss.

None of the branch's tax assessment have been finalised.

The branch has estimated taxation losses available for offset against future taxable profits as follows:

	2009 AED'000	*2008* AED'000
Available to 31 December 2013 (estimated)	**(1,658)**	(1,658)
Available to 31 December 2014 (estimated)	**(1,188)**	-

Qatar branch has also incurred an activity loss.

11 EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2009	*2008*
Profit for the year, net of directors' fees (AED'000)	**174,635**	236,239
Weighted average number of shares outstanding during the year	**381,713,000**	381,713,000
Basic earnings per share (AED)	**0.46**	0.62

12 PROPERTY AND EQUIPMENT

	Furniture and equipment AED'000	***Motor vehicles AED'000***	***Capital work in progress AED'000***	***Total AED'000***
Cost:				
At 1 January 2009	41,292	779	320,299	362,370
Additions	23,752	162	11,142	35,056
At 31 December 2009	**65,044**	**941**	**331,441**	**397,426**
Depreciation:				
At 1 January 2009	25,482	133	-	25,615
Provided during the year	8,204	257	-	8,461
At 31 December 2009	**33,686**	**390**	-	**34,076**
Net carrying amount:				
At 31 December 2009	**31,358**	**551**	**331,441**	**363,350**

	Furniture and equipment AED'000	*Motor vehicles AED'000*	*Capital work in progress AED'000 (Restated)*	*Total AED'000 (Restated)*
Cost:				
At 1 January 2008	29,025	551	1,218	30,794
Additions	12,267	588	2,957	15,812
Transfer from investment properties (note 13)	-	-	316,124	316,124
Disposals	-	(360)	-	(360)
At 31 December 2008	41,292	779	320,299	362,370
Depreciation:				
At 1 January 2008	20,576	200	-	20,776
Provided during the year	4,906	105	-	5,011
Disposals	-	(172)	-	(172)
At 31 December 2008	25,482	133	-	25,615
Net carrying amount:				
At 31 December 2008 (restated)	15,810	646	320,299	336,755

13 INVESTMENT PROPERTIES

	2009 *AED'000*	*(Restated)* *2008* *AED'000*
Freehold land:		
At 1 January	**405,113**	493,940
Additions	-	73,330
Transfer to property and equipment (note 12)	-	(316,124)
Fair value (losses) / gains (note 7)	**(174,464)**	153,967
At 31 December	**230,649**	405,113

Investment properties are stated at fair value, which has been principally determined based on valuations performed by Land Department of Government of Dubai as at 24 December 2009. Fair value represents the amounts at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of the valuation. Valuations are performed on a periodic basis, at least annually, and the fair value gains and losses are recorded within the statement of income.

Freehold land with a fair value of AED 316,124 thousand at the time of transfer has been transferred to property and equipment with effect from October 2008. The Company decided to construct a mixed use development on the site with a significant element of the development being owner occupied following a feasibility study in October 2008. This decision was inadvertently not reflected in the statement of financial position at that time. The transfer has now been recorded in 2008 with a corresponding restatement of the 31 December 2008 statement of financial position.

14 ADVANCES FOR INVESTMENT PROPERTIES

	2009 *AED'000*	*2008* *AED'000*
At 1 January	**159,646**	-
Additions	**12,707**	159,646
Impairment (note 7)	**(39,000)**	-
At 31 December	**133,353**	159,646

Advances paid on contracts for purchase of investment properties are carried at cost, but are subject to consideration for impairment when indicators of impairment exist. Following completion of an impairment review on the investment property, an impairment charge of AED 39million has been recorded. The recoverable amount for the purpose of the impairment review was determined based on valuations performed by the Company at 31 December 2009. Recoverable amount represents the higher of the amounts at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of the valuation, or discounted expected future cash flows based on projected future rentals and estimated future property values.

15 FINANCIAL INVESTMENTS

	Carrying value		Fair Value	
	2009	2008	**2009**	2008
	AED'000	AED'000	**AED'000**	AED'000
Financial investments				
at fair value through profit or loss	**483,885**	298,023	**483,885**	298,023
at fair value through other comprehensive income	**1,153,168**	1,488,646	**1,153,168**	1,488,646
	1,637,053	1,786,669	**1,637,053**	1,786,669

15(a) FINANCIAL INVESTMENTS AT FAIR VALUES THROUGH PROFIT OR LOSS

	2009	2008
	AED'000	AED'000
a) Shares – quoted	**36,246**	-
b) Designated upon initial recognition		
Structured investment - unquoted	**288,584**	199,132
Bank deposits with maturity over 3 months - unquoted	**159,055**	98,891
	447,639	298,023
	483,885	298,023

Maturity dates for structured notes and bank deposits range between 3 to 10 years. However, the issuers of the notes have options to call back the notes on earlier dates. The principal amounts are guaranteed on maturity or on exercise of the options. The returns on these notes are based mainly on movements in USD LIBOR or share prices of a basket of shares. Certain structured notes and bank deposits with carrying value of AED 120,000 thousand at 31 December 2009 (2008: AED 15,000 thousand) are subject to lien in respect of guarantees and overdraft facilities.

FINANCIAL INVESTMENTS FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)

	2009	2008
	AED'000	AED'000
Shares and mutual funds – quoted	**812,438**	1,167,901
Shares – unquoted	**340,730**	320,745
	1,153,168	1,488,646

Quoted shares with carrying value of AED 103,711 thousand at 31 December 2009 (2008: AED 164,716 thousand) were registered in the name of certain shareholders / directors of the Company and third parties who have confirmed that they are holding those shares in trust on behalf of the Company.

15 FINANCIAL INVESTMENTS (continued)

15(b) CARRYING VALUE OF FINANCIAL INVESTMENTS

	Available for sale AED'000	*Fair value through profit or loss AED'000*	*Fair value through OCI AED'000*	*Total AED'000*
At 1 January 2008	2,172,983	455,081	-	2,628,064
Purchases	753,220	710,720	-	1,463,940
Transfer from investments fair value through profit or loss	137,535	(137,535)	-	-
Disposals	(699,397)	(692,571)	-	(1,391,968)
Fair value losses recorded in Equity	(875,695)	-	-	(875,695)
Fair value gains recorded in the statement of income (note 7)	-	(37,672)	-	(37,672)
At 31 December 2008	1,488,646	298,023	-	1,786,669
Reclassification following adoption of IFRS 9 on 1 January 2009	(1,267,174)	35,297	1,231,877	-
Purchases	-	220,971	27,759	248,730
Disposals	(221,472)	-	(679)	(222,151)
Maturities	-	(71,796)	-	(71,796)
Fair value gains recorded in the statement of income (note 7)	-	1,390	-	1,390
Fair value losses recorded in other comprehensive income	-	-	(105,789)	(105,789)
At 31 December 2009	-	**483,885**	**1,153,168**	**1,637,053**

Determination of fair value and fair values hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

15 FINANCIAL INVESTMENTS (continued)

15(b) CARRYING VALUE OF FINANCIAL INVESTMENTS (continued)

Determination of fair value and fair values hierarchy (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total Fair value AED'000*
At 31 December 2009				
Financial assets				
At fair value through profit or loss:				
Equity securities	36,246	-	-	36,246
Structured notes	-	288,584	-	288,584
Deposits with maturity over 3 months	159,055	-	-	159,055
	195,301	**288,584**	-	**483,885**
At fair value through other comprehensive income:				
Quoted equity investments	793,316	19,122	-	812,438
Unquoted equity investments	-	-	340,730	340,730
	793,316	**19,122**	**340,730**	**1,153,168**
Total financial assets	**988,617**	**307,706**	**340,730**	**1,637,053**

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total Fair value AED'000*
At 31 December 2008				
Financial assets				
At fair value through profit or loss:				
Structured notes	-	199,132	-	199,132
Deposits with maturity over 3 months	98,891	-	-	98,891
	98,891	**199,132**	-	**298,023**
Available for sale investments:				
Quoted equity investments	1,137,939	29,962	-	1,167,901
Unquoted equity investments	-	-	320,745	320,745
	1,137,939	**29,962**	**320,745**	**1,488,646**
Total financial assets	**1,236,830**	**229,094**	**320,745**	**1,786,669**

15 FINANCIAL INVESTMENTS (continued)

15(b) CARRYING VALUE OF FINANCIAL INVESTMENTS (continued)

Reconciliation of movements in level 3 financial instruments measured at fair value
The following table shows a reconciliation of the opening and closing recorded amount of Level 3 financial assets and liabilities which are recorded at fair value:

	Level-3	
	2009	*2008*
	AED'000	*AED'000*
At 1 January	**320,745**	249,014
Additions	**25,685**	118,087
Disposals	**-**	(46,356)
Total losses in other comprehensive income	**(5,700)**	
At 31 December	**340,730**	320,745
Total gains/(losses) for the period included in the statement of income for the assets held at 31 December	**-**	-

16 INSURANCE RECEIVABLES

	2009	*2008*
	AED'000	*AED'000*
Premiums and insurance companies' balances receivable	**720,691**	720,527
Due from re-insurance companies	**177,720**	61,040
	898,411	781,567

All of the above amounts are due within twelve months of the reporting date. An ageing analysis of insurance receivables is given in note 35B. The reinsurers' shares of claims not paid by the Company at the reporting date are disclosed in note 26.

The amounts due from reinsurers are normally settled on a quarterly basis.

As at 31 December 2009, premiums and insurance companies' balances receivable and due from reinsurance companies at nominal value of AED 43,595 thousand (2008: AED 19,412 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2009	*2008*
	AED'000	*AED'000*
At 1 January	**19,412**	19,137
Charge for the year	**24,480**	1,287
Bad debts recovered	**(297)**	(1,012)
At 31 December	**43,595**	19,412

17 PREPAYMENTS AND OTHER ASSETS

	2009 AED'000	2008 AED'000
Accrued income	**8,294**	16,458
Prepayments	**34,946**	25,982
Staff debtors and advances	**5,264**	4,476
Other receivables	**27,431**	27,772
	75,935	74,688

18 STATUTORY DEPOSITS

	2009 AED'000	2008 AED'000
Bank Deposits:		
a) amounts that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No.6 of 2007	**10,000**	10,000
b) amounts held under lien for trade licences	**1,400**	1,400
c) amount under lien with Capital Market Authority, Sultanate of Oman towards license of Muscat Branch	**13,538**	13,538
d) amounts held under DAFZA office	**1,000**	1,000
	25,938	25,938

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following statement of financial position amounts:

	2009 AED'000	2008 AED'000
Deposits with banks maturing within three months	**444,875**	399,409
Bank balances and cash	**72,017**	63,765
	516,892	463,174

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as above, net of outstanding bank overdrafts (note 27).

Certain deposits with carrying value of AED 130,466 thousand at 31 December 2009 (2008: AED 82,795 thousand) are subject to lien in respect of guarantees and overdraft facilities.

20 SHARE CAPITAL

	2009 AED'000	2008 AED'000
Issued and fully paid 381,712,500 shares of AED 1 each (2008: – 381,712,500 shares of AED 1 each)	**381,713**	381,713

At the extraordinary general meeting held on 23 January 1999, the shareholders of the Company authorised the Board of Directors to change the name of the Company. The Board of Directors has agreed not to implement this change until a suitable new name for the Company has been identified.

21 STATUTORY RESERVE

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the net profit for the year has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law.

22 STRATEGIC RESERVE

The strategic reserve may be utilised for any purpose to be determined by a resolution of the shareholders of the Company at an ordinary general meeting, on the recommendation of the Board of Directors. No transfers have been made to the strategic reserve during the year.

23 GENERAL RESERVE

Annual transfers to the general reserve are made at the rate of 25% of the profit less directors' fees for the year. The reserve is freely available for distribution.

24 CONTINGENCY RESERVE

In accordance with Article 20 (2) (c) amended by Royal Decree No. 35/95 of the Oman Insurance Companies Law 1979 and in accordance with the Capital Market Authority's letter, CMA 4952/2005 dated 22 November 2005, 10% of the net outstanding claims at the Oman Branch at the reporting date is transferred from retained earnings to a contingency reserve. The reserve is not available for distribution.

25 PROPOSED DIVIDENDS

The Board of Directors has proposed a cash dividend amounting to AED 152,685 thousand (at AED 0.40 per share) and a scrip dividend amounting to AED 38,171 thousand (at AED 0.10 per share). These are subject to the approval of the shareholders at the Annual General Meeting.

For the year ended 31 December 2008, the Board had proposed, and the shareholders approved, a cash dividend amounting to AED 190,857 thousand (at AED 0.50 per share).

26 INSURANCE CONTRACT LIABILITIES

	Gross		*Reinsurers' share*		*Net*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
Unearned premium reserve (Note 3)	**758,518**	746,476	**(336,140)**	(347,073)	**422,378**	399,403
Additional Reserve (Note 26(a))	**89,250**	83,750	**-**	-	**89,250**	83,750
Life Assurance Fund (Note 26(b))	**107,953**	76,715	**-**	-	**107,953**	76,715
Outstanding Claims (Note 26 (c))	**1,003,395**	815,516	**(764,389)**	(572,902)	**239,006**	242,614
	1,959,116	1,722,457	**(1,100,529)**	(919,975)	**858,587**	802,482

26 INSURANCE CONTRACT LIABILITIES (continued)

26 (a) Additional Reserve

	General Insurance AED'000	*Life Assurance AED'000*	*Total AED'000*
At 1 January 2008	43,750	8,000	51,750
Increase (Note 4)	32,000	-	32,000
31 December 2008	75,750	8,000	83,750
Increase (Note 4)	3,500	2,000	5,500
31 December 2009	**79,250**	**10,000**	**89,250**

26 (b) Life Assurance Fund

	AED'000
1 January 2008	42,887
Increase	33,828
31 December 2008	76,715
Increase	31,238
31 December 2009	**107,953**

The balance at 31 December 2009 includes AED 9,786 thousand (2008: AED 10,719 thousand) in respect of Group Life policies, which normally covers the risk for not more than twelve months.

26 (c) Outstanding Claims

	General AED'000	*Life AED'000*	*Total AED'000*
At 1 January 2008:			
Outstanding claims	568,351	34,751	603,102
Due from reinsurers	(435,391)	(23,149)	(458,540)
	132,960	11,602	144,562
Net Increase (Note 4)	82,839	15,213	98,052
At 31 December 2008:			
Outstanding claims	739,889	75,627	815,516
Due from reinsurers	(524,090)	(48,812)	(572,902)
	215,799	26,815	242,614
Net (Decrease) Increase (Note 4)	**(16,508)**	**12,900**	**(3,608)**
At 31 December 2009:			
Outstanding claims	**884,468**	**118,927**	**1,003,395**
Due from reinsurers	**(685,177)**	**(79,212)**	**(764,389)**
	199,291	**39,715**	**239,006**

26 INSURANCE CONTRACT LIABILITIES (continued)

Claims Development Table

The following table reflects the development of the gross outstanding claims of the general insurance at the end of each year together with cumulative payments subsequent to the year of accident:

Underwriting year

	Before 2006 AED'000	*2006 AED'000*	*2007 AED'000*	*2008 AED'000*	*2009 AED'000*	*Total AED'000*
Estimate of cumulative claims - Gross:						
Accident year	242,640	243,421	359,801	464,796	534,617	-
One year later	244,967	304,726	421,226	494,384	-	-
Two years later	241,095	289,399	415,552	-	-	-
Three years later	227,365	276,465	-	-	-	-
Four years later	209,935	-	-	-	-	-
Current estimate of cumulative claims	209,935	276,465	415,552	494,384	534,617	1,930,953
Cumulative payments to date - Gross	(179,561)	(242,173)	(338,030)	(286,721)	-	(1,046,485)
Total outstanding claims recognised in statement of financial position - Gross	30,374	34,292	77,522	207,663	534,617	884,468

Underwriting year

	Before 2006 AED'000	*2006 AED'000*	*2007 AED'000*	*2008 AED'000*	*2009 AED'000*	*Total AED'000*
Estimate of cumulative claims – Net:						
Accident year	70,481	63,424	84,171	135,726	120,051	-
One year later	72,182	79,398	103,334	181,917	-	-
Two years later	71,664	79,404	96,054	-	-	-
Three years later	69,768	69,062	-	-	-	-
Four years later	58,771	-	-	-	-	-
Current estimate of cumulative claims	58,771	69,062	96,054	181,917	120,051	525,855
Cumulative payments to date – Net	(53,098)	(62,684)	(78,582)	(132,200)	-	(326,564)
Total outstanding claims recognised in statement of financial position - Net	5,673	6,378	17,472	49,717	120,051	199,291

The above table does not include claims intimated and settled in the same year

27 BORROWINGS

	2009 AED'000	2008 AED'000
Short term loan	**472,222**	667,000
Long term loan	**67,932**	-
Bank overdrafts	**167,101**	103,693
	707,255	770,693

Short term loans are unsecured and are repayable within six months of drawdown. The loans are normally rolled over for additional similar periods. Refer to note 19 for the details of security in respect of bank overdrafts and other facilities.

The short term loan carries interest at 6 months EBOR + 3.5 % and is repayable in a bullet payment in July 2010 or is renewable on 6 month basis.

The long term loan carries interest at 1 month LIBOR + 2.75 % and is repayable in bullet payment in September 2012.

Bank overdraft carries interest at Bank rate + 1.00 % and is repayable or renewable on a yearly basis.

28 OTHER FINANCIAL LIABILITIES

	2009 AED'000	2008 AED'000
Amounts held under reinsurance treaties	**145,097**	165,108
	145,097	165,108

29 INSURANCE PAYABLES

	2009 AED'000	2008 AED'000
Reinsurance balances payable	**100,926**	266,128
Premiums collected in advance	**202,342**	113,613
Other insurance payables	**177,517**	124,129
	480,785	503,870

30 TRADE AND OTHER PAYABLES

	2009 AED'000	2008 AED'000
Accruals for staff costs	**52,355**	43,487
Employees' end of service benefits (Note 31)	**34,078**	30,625
Unit linked liabilities	**13,477**	552
Income tax liability	**533**	105
Other payables and accruals	**51,572**	56,728
	152,015	131,497

31 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2009	2008
	AED'000	*AED'000*
Provision as at 1 January	**30,625**	19,557
Provided during the year	**4,236**	12,050
End of service benefits paid	**(783)**	(982)
Provision as at 31 December (Note 30)	**34,078**	30,625

An actuarial valuation has not been performed as the net impact of discount rates and future increases in benefits is not likely to be material.

32 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Company's management.

The significant balances outstanding at 31 December in respect of related parties included in the consolidated financial statements are as follows:

	2009	2008
	AED'000	*AED'000*
Affiliates of major shareholders:		
Cash and cash equivalents	**251,932**	222,409
Statutory deposits	**12,527**	12,400
Structured investments	-	2,148
Premium receivable	**41,528**	52,394
Amounts due to related parties	**10,697**	3,201

Outstanding balances at the year-end arose in the normal course of business. For the year ended 31 December 2009, the Company has not recorded any impairment of amounts owed by related parties (2008: nil).

The income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	2009	2008
	AED'000	*AED'000*
Affiliates of major shareholders/ directors:		
Premiums	**224,859**	141,346
Claims	**135,361**	91,525
Interest expenses	**6,031**	513
Commission paid	**7,057**	8,303
Rent paid	**725**	755
Investment – shares purchased	**6,240**	676,124
Investment – properties purchased	**31,000**	73,331
Investment – properties sold	-	128,356
Investment – shares sold	-	685,979
Advance for investment properties	-	62,186

32 RELATED PARTY TRANSACTIONS (continued)

In addition to directors' fees (note 33), compensation of the key management personnel is as follows:

	2009	*2008*
	AED'000	*AED'000*
Short term employee benefits	**6,374**	6,816
End of service benefits	**140**	1,355
Total compensation paid to key management personnel	**6,514**	8,171

33 DIRECTORS' FEES

Directors' fees payable in accordance with the Articles of Association of the Company, have been included as an appropriation of profit for the year in accordance with the interpretation of the Commercial Companies Law of 1984 (as amended) by the Ministry of Economy.

34 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets include cash and cash equivalents, statutory deposits, financial investments (at fair value through profit or loss and at fair value through OCI.), insurance receivables, payables, borrowings, other financial liabilities and certain other assets and liabilities.

The fair values of the financial assets and liabilities, carried at cost, are not materially different from their carrying values.

35 RISK MANAGEMENT

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Chief Executive officer and senior managers.

The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The Chief Executive officer under the authority delegated from the board of directors defines the Company's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management framework

The primary objective of the Company's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

35 RISK MANAGEMENT (continued)

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (eg capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Chief Executive Officer actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

The Chief Executive Officer regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

35A Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Group purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counter party exposure that exceeds 17% of total reinsurance assets at the reporting date.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company has a relatively small portfolio of life assurance contracts.

35 RISK MANAGEMENT (continued)

35A Insurance risk (continued)

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property, motor, marine, medical, group life and personal accident risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Property

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property insurance contracts the main risks are fire and business interruption. In recent years the Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim to AED 1,000,000.

Motor

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company has reinsurance cover for such claims to limit losses for any individual claim to AED 500,000.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine

Marine class of business includes hull, cargo, energy offshore/onshore and aviation. Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes, oil rigs and accident at air resulting in total or partial loss of aircraft.

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes and loss or damage of aircraft.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance to limit losses for any individual claim to AED 735,000.

Medical, group life and personal accident

Medical insurance is designed to compensate the contract holders for medical costs. Group life and personal accident insurance entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability.

For medical insurance, the main risks are illness and related healthcare costs. For group life and personal accident the main risks are claims from death and permanent or partial disability. The Company generally does not offer medical insurance to walk-in customers. Medical, group life and personal accident insurance are generally offered to corporate customers with a large population to be covered under the policy.

Geographical concentration of risks

The insurance risk arising from insurance contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to last year.

35 RISK MANAGEMENT (continued)

35A Insurance risk (continued)

Reinsurance risk
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 arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. The Company deals with reinsurers approved by the Board of Directors.

The five largest reinsurers account for 61% of amounts due from reinsurance companies at 31 December 2009 (2008: 49%). The maximum theoretical credit risk exposure in this connection is mainly in Europe.

35B Financial risk

The Company's principal financial instruments are financial investments (at fair value through profit or loss and fair value through OCI), receivables arising from insurance and reinsurance contracts, statutory deposits and cash and cash equivalents. With the exception of the Company's structured notes, which are accounted for as financial investments at fair value through profit or loss, the Company does not enter into any derivative transactions.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The investment committee of the Company actively manages the financial risk.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

- The Company's fair value investments and at fair value through profit or loss investments are managed by the Chief Executive Officer and the Chief Financial Officer in accordance with the guidance of the investment committee and the supervision of the Board of Directors.

- The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

35 RISK MANAGEMENT (continued)

35B Financial risk (continued)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	Notes	*2009* *AED'000*	*2008* *AED'000*
Financial investments			
At fair value through profit or loss	15	**483,885**	298,023
Available for sale		**-**	1,488,646
Fair value through OCI	15	**1,153,168**	-
Reinsurance assets	26	**1,100,529**	919,975
Insurance receivables	16	**898,411**	781,567
Other receivables (excluding prepayments)	17	**40,989**	48,708
Statutory deposits	18	**25,938**	25,938
Cash and cash equivalents	19	**516,892**	463,174
TOTAL CREDIT RISK EXPOSURE		**4,219,812**	4,026,031

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes.

Insurance receivables comprise a large number of customers and insurance companies mainly within the United Arab Emirates. Reinsurance receivables are from the reinsurance companies based mainly in Europe.

The Company's financial position can be analysed by the following geographical regions:

	2009			*2008*		
	Assets AED'000	***Liabilities and equity AED'000***	***Contingent liabilities and commitments AED'000***	*Assets AED'000*	*Liabilities and equity AED'000*	*Contingent liabilities and commitments AED'000*
United Arab Emirates	**3,110,113**	**4,575,825**	**137,038**	3,490,556	4,182,612	99,013
Other Middle East countries	**152,121**	**(900)**	**-**	156,636	60,556	-
Europe	**1,604,438**	**407,185**	**33,230**	1,178,777	672,892	62,320
Rest of the world	**115,438**	**-**	**-**	127,556	37,465	-
Total	**4,982,110**	**4,982,110**	**170,268**	4,953,525	4,953,525	161,333

35 RISK MANAGEMENT (continued)

35B Financial risk (continued)

Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

31 December 2009

	High grade AED'000	***Standard grade AED'000***	***Sub-standard grade AED'000***	***Past due and impaired AED'000***	***Total AED'000***
Financial investments					
At fair value through profit or loss	**483,885**	-	-	-	**483,885**
Fair value through OCI	**812,438**	**340,730**	-	-	**1,153,168**
Reinsurance assets	**1,100,529**	-	-	-	**1,100,529**
Insurance receivables	**898,411**	-	-	**43,595**	**942,006**
Other receivables (excluding prepayments)	**40,989**	-	-	-	**40,989**
Statutory deposits	**25,938**	-	-	-	**25,938**
Cash and cash equivalents	**516,892**	-	-	-	**516,892**
	3,879,082	**340,730**	-	**43,595**	**4,263,407**
Less: Impairment provision					**(43,595)**
					4,219,812

31 December 2008

	High grade AED'000	*Standard grade AED'000*	*Sub-standard grade AED'000*	*Past due and impaired AED'000*	*Total AED'000*
Financial investments					
At fair value through profit or loss	298,023	-	-	-	298,023
Available for sale	1,167,901	320,745	-		1,488,646
Reinsurance assets	919,975	-	-	-	919,975
Insurance receivables	781,567	-	-	19,412	800,979
Other receivables (excluding prepayments)	48,708	-	-	-	48,708
Statutory deposits	25,938	-	-	-	25,938
Cash and cash equivalents	463,174	-	-	-	463,174
	3,705,286	320,745	-	19,412	4,045,443
Less: Impairment provision					(19,412)
					4,026,031

35 RISK MANAGEMENT (continued)

35B Financial risk (continued)

Credit risk (continued)

The following table provides an age analysis of insurance receivables arising from insurance and reinsurance contracts.

	Neither past due nor impaired	*Past due but not impaired*		*Unimpaired*		
	Upto 120 days AED'000	*120 to 180 days AED'000*	*Above 180 days AED'000*	*Total AED'000*	*Past due and impaired AED'000*	*Total AED'000*
31 December 2009	**651,132**	**80,540**	**210,334**	**942,006**	**(43,595)**	**898,411**
31 December 2008	560,502	87,397	153,080	800,979	(19,412)	781,567

The Company generally provides credit facility up to 120 days. When the management is confident of recovery, no provision is recorded for amounts overdue for more than 180 days and such amounts are not classified as past due and impaired.

Geographical Risk

The Company's investments and cash and cash equivalents can be analysed by the following geographical regions:

	United Arab Emirates		**Other Middle East countries**		**Rest of the world**		**Total**	
	2009 AED'000	2008 AED'000	**2009 AED'000**	2008 AED'000	**2009 AED'000**	2008 AED'000	**2009 AED'000**	2008 AED'000
Financial Assets Fair value through profit or loss								
a) Shares - quoted	**36,246**	-	-	-	-	-	**36,246**	-
b) Designated upon initial Recognition:								
-Structured investments Unquoted	-	-	-	-	**288,584**	199,132	**288,584**	199,132
-Bank Deposits with maturity over three months – unquoted	**92,722**	70,034	**36,850**	713	**29,483**	28,144	**159,055**	98,891
	92,722	70,034	**36,850**	713	**318,067**	227,276	**447,639**	298,023
	128,968	70,034	**36,850**	713	**318,067**	227,276	**483,885**	298,023
Financial Assets Fair value through other comprehensive income								
Shares and Mutual funds								
-Quoted	**769,694**	1,056,191	**40,457**	39,081	**2,287**	72,629	**812,438**	1,167,901
-Unquoted	**240,872**	241,671	**17,613**	37,555	**82,245**	41,519	**340,730**	320,745
	1,010,566	1,297,862	**58,070**	76,636	**84,532**	114,148	**1,153,168**	1,488,646

35 RISK MANAGEMENT (continued)

35B Financial risk (continued)

Geographical Risk (continued)

	United Arab Emirates		Other Middle East countries		Rest of the world		Total	
	2009 AED'000	2008 AED'000	**2009 AED'000**	2008 AED'000	**2009 AED'000**	2008 AED'000	**2009 AED'000**	2008 AED'000
Cash and cash equivalents								
-Deposits with banks maturing-within 3 months	**444,875**	380,157	-	6,892	-	12,360	**444,875**	399,409
-Bank balance and cash	**54,780**	61,296	**13,705**	2,469	**3,532**	-	**72,017**	63,765
Cash and bank balances	**499,655**	441,453	**13,705**	9,361	**3,532**	12,360	**516,892**	463,174
-Bank Overdraft	**(122,443)**	(103,693)	-	-	**(44,658)**	-	**(167,101)**	(103,693)
Cash and cash equivalents	**377,212**	337,760	**13,705**	9,361	**(41,126)**	12,360	**349,791**	359,481

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with insurance contracts and financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

35 RISK MANAGEMENT (continued)

35B Financial risk (continued)

The table below summarises the maturity of the assets and liabilities of the Company:

	31 December 2009				*31 December 2008*			
	Less than one year AED'000	*More than one year AED'000*	*No Term AED'000*	*Total AED'000*	*Less than one year AED'000*	*More than one year AED'000*	*No Term AED'000*	*(Restated) Total AED'000*
ASSETS								
Property and equipment	-	47,226	316,124	363,350	-	20,631	316,124	336,755
Investment properties	-	-	230,649	230,649	-	-	405,113	405,113
Advances paid for investment properties	-	-	133,353	133,353	-	-	159,646	159,646
Financial investments								
At fair value through profit or loss	213,703	270,182	-	483,885	26,431	271,592	-	298,023
Available for sale	-	-	-	-	-	29,962	1,458,684	1,488,646
Fair value through OCI	-	19,122	1,134,046	1,153,168	-	-	-	-
Reinsurance assets	1,100,529	-	-	1,100,529	919,975	-	-	919,975
Insurance receivables	898,411	-	-	898,411	781,567	-	-	781,567
Prepayments and accrued income	75,935	-	-	75,935	74,688	-	-	74,688
Statutory deposits	25,938	-	-	25,938	25,938	-	-	25,938
Cash and cash equivalents	516,892	-	-	516,892	463,174	-	-	463,174
TOTAL ASSETS	2,831,408	336,530	1,814,172	4,982,110	2,291,773	322,185	2,339,567	4,953,525
EQUITY AND LIABILITIES								
Equity								
Share capital	-	-	381,713	381,713	-	-	381,713	381,713
Statutory reserve	-	-	176,123	176,123	-	-	157,160	157,160
Cumulative changes in fair values of securities	-	-	(451,241)	(451,241)	-	-	(320,208)	(320,208)
Strategic reserve	-	-	303,750	303,750	-	-	303,750	303,750
General reserve	-	-	674,648	674,648	-	-	630,990	630,990
Contingency reserve	-	-	608	608	-	-	61	61
Retained earnings	-	-	261,385	261,385	-	-	315,577	315,577
Proposed dividends	190,856	-	-	190,856	190,857	-	-	190,857
Total equity	190,856	-	1,346,986	1,537,842	190,857	-	1,469,043	1,659,900
Liabilities								
Insurance contract liabilities	1,959,116	-	-	1,959,116	1,722,457	-	-	1,722,457
Financial liabilities								
Borrowings	639,323	67,932	-	707,255	770,693	-	-	770,693
Other financial liabilities	145,097	-	-	145,097	165,108	-	-	165,108
Insurance payables	480,785	-	-	480,785	503,870	-	-	503,870
Trade and other payables	152,015	-	-	152,015	131,497	-	-	131,497
Total liabilities	3,376,336	67,932	-	3,444,268	3,293,625	-	-	3,293,625
TOTAL EQUITY AND LIABILITIES	3,567,192	67,932	1,346,986	4,982,110	3,484,482	-	1,469,043	4,953,525

35 RISK MANAGEMENT (continued)

35B Financial risk (continued)

The table below summarises the maturity of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations including interest receivable and interest payable.

31 December 2009

	Statement of financial position Amount AED '00	*Less than 1 year AED '000*	*1 to 5 years AED '000*	*Over 5 years AED '000*	*No maturity date AED '000*	*Total AED '000*
Financial investments						
at fair value through profit or loss	**483,885**	**126,388**	**32,259**	**391,621**	**-**	**550,268**
at fair value through OCI	**1,153,168**	**-**	**-**	**-**	**1,153,168**	**1,153,168**
Reinsurance assets	**1,100,529**	**1,100,529**	**-**	**-**	**-**	**1,100,529**
Insurance receivables	**898,411**	**898,411**	**-**	**-**	**-**	**898,411**
Other receivables (excluding prepayments)	**40,989**	**40,989**	**-**	**-**	**-**	**40,989**
Statutory deposits	**25,938**	**-**	**29,828**	**-**	**-**	**29,828**
Cash and cash equivalents	**516,892**	**530,238**	**-**	**-**	**-**	**530,238**
Total financial assets	**4,219,812**	**2,696,555**	**62,087**	**391,621**	**1,153,168**	**4,303,431**
Insurance contract liabilities	**1,959,116**	**1,959,116**	**-**	**-**	**-**	**1,959,116**
Financial liabilities						
Borrowings	**707,255**	**298,391**	**651,396**	**39,065**	**-**	**988,852**
Other financial liabilities	**145,097**	**145,097**	**-**	**-**	**-**	**145,097**
Insurance payables	**480,785**	**480,785**	**-**	**-**	**-**	**480,785**
Trade and other payables	**152,015**	**152,015**	**-**	**-**	**-**	**152,015**
Total financial liabilities	**3,444,268**	**3,035,404**	**651,396**	**39,065**	**-**	**3,725,865**

31 December 2008

	Statement of financial position Amount AED '00	*Less than 1 year AED '000*	*1 to 5 years AED '000*	*Over 5 years AED '000*	*No maturity date AED '000*	*Total AED '000*
Financial investments at fair value through profit or loss	298,023	27,224	246,700	77,339	-	351,263
Available for sale	1,488,646	-	-	-	1,488,646	1,488,646
Reinsurance assets	919,975	919,975	-	-	-	919,975
Insurance receivables	781,567	781,567	-	-	-	781,567
Other receivables (excluding prepayments)	48,708	48,708	-	-	-	48,708
Statutory deposits	25,938	-	29,829	-	-	29,829
Cash and cash equivalents	463,174	475,156	-	-	-	475,156
Total financial assets	4,026,031	2,252,630	276,529	77,339	1,488,646	4,095,144
Insurance contract liabilities	1,722,457	1,722,457	-	-	-	1,722,457
Financial liabilities						
Borrowings	770,693	691,972	116,250	-	-	808,222
Other financial liabilities	165,108	165,108	-	-	-	165,108
Insurance payables	503,870	503,870	-	-	-	503,870
Trade and other payables	131,497	131,497	-	-	-	131,497
Total financial liabilities	3,293,625	3,214,904	116,250	-	-	3,331,154

35 RISK MANAGEMENT (continued)

35B Financial risk (continued)

MARKET RISK

Market risk arises from fluctuations in foreign exchange rates, interest rates and equity prices. The value of risk that may be accepted by the Company is monitored on a regular basis by the CEO of the Company.

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company is exposed to interest rate risk on certain of its investments and cash and cash equivalents. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments and borrowings are denominated.

Details of maturities of the major classes of interest bearing financial instruments as at 31 December are as follows:

31 December 2009

	Less than 1 years AED'000	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***	***Effective interest rate***
Time deposits	**567,582**	**31,802**	**30,484**	**629,868**	**3% to 4.5%**
Structured Investments	**-**	**21,948**	**266,636**	**288,584**	**3.0% to 10.0%**
Bank overdrafts	**(167,101)**	**-**	**-**	**(167,101)**	**5% to 6.5%**
Term loans	**(472,222)**	**(67,932)**	**-**	**(540,154)**	**5% to 8%**
	(71,741)	**(14,182)**	**297,120**	**211,197**	

31 December 2008

	Less than 1 years AED'000	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*	*Effective interest rate*
Time deposits	425,840	70,255	28,143	524,238	5.5% to 6.5%
Structured Investments	-	168,375	30,757	199,132	3% to 10%
Bank overdrafts	(103,693)	-	-	(103,693)	5% to 6%
Term loans	(567,000)	(100,000)	-	(667,000)	5% to 8%
	(244,853)	138,630	58,900	(47,323)	

There is no significant difference between contractual repricing and maturity dates.

35 RISK MANAGEMENT (continued)

Interest rate risk (continued)
The following table demonstrates the sensitivity of the statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2009.

	Increase/ decrease in basis points	*Effect on profit for the year AED'000*
2009	**+25**	**528**
	-50	**(1,056)**
2008	+25	(118)
	-50	237

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as fair value through OCI at 31 December 2009) and on statement of income due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2009			*2008*		
	Change in equity price %	***Effect on statement of income AED'000***	***Effect on OCI AED'000***	*Change in equity price %*	*Effect on statement of income AED'000*	*Effect on equity AED'000*
All investments – (Mainly Dubai Financial Market and Abu Dhabi Stock Market)	**10**	**32,483**	**81,244**	10	19,913	116,790

OPERATIONAL RISK
Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

36 CONTINGENCIES

Contingent liabilities
At 31 December 2009 the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 47,781 thousand (2008: AED 26,098 thousand).

Legal claims
The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial position.

37 CAPITAL COMMITMENTS

	2009 *AED'000*	*2008* *AED'000*
Commitments in respect of uncalled subscription of certain shares held as investments	**33,230**	62,320
Commitment in respect of purchase of investment properties	**89,257**	72,915
	122,487	135,235

38 COMPARATIVE INFORMATION

As explained in note 13, the following amounts have been reclassified in the statement of financial position as of 31 December 2008:

	As previously reported 31/12/2008 *AED'000*	*Reclassification* *AED'000*	*Restated 31/12/2008* *AED'000*
Investment properties	721,237	(316,124)	405,113
Property and equipment	20,631	316,124	336,755

The statement of cash flows has been also amended accordingly.