

**AL DHAFRA INSURANCE
COMPANY P.S.C.**

**Reports and financial
statements for the year
ended 31 December 2010**

AL DHAFRA INSURANCE COMPANY P.S.C.

**Reports and financial statements
for the year ended 31 December 2010**

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BOARD OF DIRECTORS

Chairman **H.E. Sheikh Mohamed Bin Sultan Al Dhahiry**

Directors

Mr. Saif Saeed Bin Ahmed Ghobash

Mr. Hamad Bin Abdullah Al Shamsi

Mr. Rashid Bin Mohamed Al Mazroi

Mr. Saif Bin Mubarak Al Riamy

Mr. Saleh Bin Rashid Al Dhahiry

Mr. Sayah Bin Mohamed Mousa Al Qubeisy

Mr. Obeid Bin Khalifa Al Jaber

Mr. Yousef Bin Mohamad Ali Al Nowais

General Manager **Mr. Kamal Sartawi**

Auditors **Deloitte & Touche**

BOARD OF DIRECTORS (continued)

HEAD OFFICE

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Company Building
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E-mail: aldhafra@emirates.net.ae**

DUBAI BRANCH

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Email: dubai@aldhafrainsurance.ae**

AL AIN BRANCH

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Al Ain
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Email: alain@aldhafrainsurance.ae**

BIDA ZAYED BRANCH

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SHARJAH BRANCH

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Sharjah
Tel: 06-5536060 - Fax: 06-5536097
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**THE BOARD OF DIRECTORS' 31ST ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

Dear Shareholders,

The Board of Directors have the pleasure to welcome you to the Ordinary General Assembly of the Company and present to you the 31st Annual Report regarding the business activities and financial position of the Company during the year 2010 as well as the balance sheet and financial statements for the year ended on 31st December 2010 along with Auditor's Report.

Introduction:

For the second consecutive year, Company has prepared its financial statements, balance sheet and income statement for the year 2010 on the basis of IFRS 9 by reflecting the change in the value of its available for sale investment in shareholders' equity.

2010 witnessed an overwhelming happiness all over the country on the occasion of the auspicious return of our Leader H.H. Sheikh Khalifa Bin Zayed Al Nahyan (May God Protect him) in good health. The celebrations has reflected the great status which His Highness occupies in the hearts and minds of U.A.E. Nationals and Expatriates for his great achievements locally and internationally.

H.H. Sheikh Khalifa Bin Zayed Al Nahyan has enhanced the approach of His Highness Late Sheikh Zayed Bin Sultan Al Nahyan in extending financial aids to the needy everywhere. In spite of the severe financial crisis still prevailing globally, the U.A.E. under our wise leadership continued its humanitarian support across the Globe and contributed about 9 Billion Dirhams to projects in 92 Countries all over the world.

Under the visionary leadership of H.H. Sheikh Khalifa Bin Zayed Al Nahyan (May God Save him) U.A.E. continue to occupy advanced places in various fields. According to study conducted by A.T. Kearny Global Management Consultancy Firm, the U.A.E. is the no.1 among Arab Countries and 11th Globally in attracting foreign investments which reflect the Country's economic stability. U.A.E has also been ranked 19th in the list of Global export with total export value of AED644 Billion according to the 2009 statistics of World Trade Organisation.

At the company level, the figures appearing in the attached audited financial statements clearly shows that the company continues to attain high growth ratio in the technical profit for 4 consecutive years despite the prevailing difficult economic situation and increase in severe competition between insurance companies leading to reduction in insurance premium rate to an unprecedented level.

**THE BOARD OF DIRECTORS' 31ST ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

Here below are few indicators of the excellent achievements made by the Company during the year 2010:

1. A growth of 19.30% in the Gross premium income to AED 282,748,947
2. A growth of 21% in Gross Technical Profit to AED 63,351,573 which is about 85% of the Capital of the Company
3. A growth of 21.50% in Net Technical profit to AED 38,646,333
4. A growth of 10.90% in Net Profit to AED 53,468,775
5. A growth of 5.39% in Shareholders Equity to AED 301,999,870
6. An increase of 13.49% in total Assets to AED 778,531,355

Total & Net Premiums:

The Gross Insurance Premium written by the Company during the year under review reached AED 282,748,947 against AED 237,023,819 achieved during the year 2009, recording an increase of 19.30%.

The premiums retained by the Company for its own account during the year under review, reached AED 128,527,678 against an amount of AED 103,140,498 that is, an increase of 24.61%. The premium retention percentage of the company is 45.45% of total premiums.

Gross paid claims

The gross claims paid by the company to its customers during the year under report reached AED 122,090,250 against AED 124,567,803 a decrease of 2%.

Technical Reserves:

The company always pay special attention to technical reserves since it is considered as one of the basic strength of the company to honour its obligations under insurance contracts.

The technical reserves at the end of the year under review has reached AED 123,404,473 against AED 108,166,729 in the last year, showing an increase of 14.09 %. It may be noted that the technical reserves are now equal to 96% of the retained premiums.

**THE BOARD OF DIRECTORS' 31ST ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

Figures related to different classes of Insurance

Gross written Premium	2010(AED)	2009 (AED)
Marine & Aviation Insurance	25,956,125	18,187,077
Fire & General Accidents Insurance	256,792,822	218,836,742
Total	282,748,947	237,023,819

Gross Paid Claims	2010(AED)	2009(AED)
Marine & Aviation Insurance	5,161,049	6,455,518
Fire & General Accidents Insurance	116,929,201	118,112,285
Total	122,090,250	124,567,803

Technical Reserves	2010(AED)	2009(AED)
Marine & Aviation Insurance	843,659	804,702
Fire & General Accidents Insurance	122,560,814	107,362,027
Total	123,404,473	108,166,729

Investments:

The total investments of the Company reduced to an amount of AED 190, 804,125 at the end of 2010 from an amount of AED 210,239,251 at the end of 2009 showing a reduction of 9.24 %.

The investment income reduced to AED 14,822,442 from an amount of AED 16,230,646 in the last year, showing a decrease of 8.68 %.

It is worth mentioning that most of the investments of the company are within the U.A.E and some investments are in G.C.C. in Government Bonds. Company has no investments in U.S.A or in Europe and all available cash are deposited in Banks within the U.A.E.

General & Administrative Expenses:

The General & Administrative Expenses during the year under review reached an amount of AED 24,705,240 against an amount of AED 20,755,331/- in the last year, that is, an increase of 19.03 %. The major reason for increase is the payment of Insurance Authority Fees, provision for depreciation and provision for Bad Debts totaling an amount of AED 3,150,822.

**THE BOARD OF DIRECTORS' 31ST ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

Net Profits:

The net profits achieved by the company from insurance and investment activities for the year under review is AED 53,468,775 against an amount of AED 48,208,325 achieved last year, that is , an increase of 10.90%.

The company is able to record such an increase in its profitability since its main source is technical profit and hence is not affected by changes in the fluctuating investment market.

Company Braches and Offices:

There are no changes in the number of Branches and Point of Sales of the Company since we have expanded during the last two years and now we have branches and point of sales in most residential areas and service centers in Abu Dhabi, Al Ain, Baniyas, Al Rahba, Musaffah and in Traffic Department offices and also in Dubai and Sharjah.

Profit Distribution:

The net profit of AED 53,468,775 achieved by the company during the year together with the retained profit of AED 87,368,881 from the previous year amounted to a distributable income of AED 140,837,656.

We recommend appropriation of the above profit as follows:

Amount (AED)	Details of appropriation
37,500,000	To be distributed among shareholders as dividends
15,000,000	Bonus shares proposed to be issued to the Shareholders
3,000,000	Remuneration for the Chairman and Members of the Board of Directors
85,337,656	To be carried forward to the subsequent year

**THE BOARD OF DIRECTORS' 31ST ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

Plans for 2011

We will continue our expansion inside UAE by opening new offices and point- of-sales and strengthening existing branch offices and point-of-sales. We will further enhance on-line selling of various products and pursue our selective underwriting approach towards quality rather than quantity thereby realizing higher technical profit than increase in volume. Such strategy has enabled us to achieve constant substantial growth in technical profit for 4 consecutive years and to the extent of 85% of our Capital even in this exceptional economic condition.

Recommendations of the Board of Directors to the Shareholders

The Board of Directors is pleased to present the following recommendations to the Ordinary General Assembly of the Shareholders of the Company for their approval.

1. To approve the report of the Board of Directors, for 2010.
2. To approve the Auditor's Report for 2010.
3. To approve the Balance Sheet of the Company as at 31.12.2010 and the financial statements for the year ending on 31 December 2010.
4. To approve the reserves and distribution of dividends as proposed by the Board.
5. To increase the share capital of the company by 20% from AED75Million to AED90 Million by distribution of bonus shares among the shareholders.
6. To discharge the Chairman and Members of the Board of Directors and Auditors from liabilities related to the performance of their duties during the year under review.
7. To appoint external auditors for the year 2011 or re-appointing the present auditors and determine their fees.

**THE BOARD OF DIRECTORS' 31ST ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

Conclusion

The Board of Directors, on their behalf and on behalf of all the Company shareholders and employees, express their appreciation and utmost respect to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates for his continuous support and patronage for National institutions and Companies.

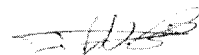
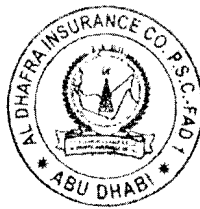
The Board of Directors would also like to extend their gratitude to H.H. Sheikh Mohammed Bin Rashid Al Maktoum, the Vice President, Prime Minister of the U.A.E and Ruler of Dubai and to His Highness Sheikh Mohamad Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi for unlimited support and assistance to National Companies and Establishments.

The Board of Directors would also like to praise the persistent efforts of the management and staff of the Company who did their best to serve the Company and its clients and to promote its relations with Insurance, Reinsurance Companies and brokers locally and internationally.

On behalf of the Board of Directors:



Chairman
8 February 2011



INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Al Dhafra Insurance Company P.S.C.
Abu Dhabi, UAE**

Report on the financial statements

We have audited the accompanying financial statements of Al Dhafra Insurance Company P.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position Al Dhafra Insurance Company P.S.C. at 31 December 2010, 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

Also, in our opinion, proper books of account are maintained by the Company, and the financial information included in the Board of Directors' report is in agreement with the books of account. We have obtained all the information which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions during the year of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended), the UAE Federal Law No. (6) of 2007 concerning the formation of Insurance Authority of UAE or the Articles of Association of the Company which might have a material effect on the financial position of the Company or on the results of its financial performance for the year.

Deloitte & Touche (M.E.)



Saba Y. Sindaha
Registration Number 410
8 February 2011



**Statement of financial position
as at 31 December 2010**

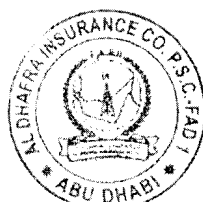
	Notes	2010 AED	2009 AED
ASSETS			
Non-current assets			
Property and equipment	5	3,050,815	1,869,742
Investment properties	6	81,000,000	81,000,000
Intangible assets	7	982,925	951,481
Investments designated at fair value through other comprehensive income (FVTOCI)	8.2	65,726,546	64,192,941
Investments at amortised cost	8.2	9,914,400	28,274,400
Statutory deposit	9	10,000,000	10,000,000
Total non-current assets		170,674,686	186,288,564
Current assets			
Investments designated at fair value through profit or loss (FVTPL)	8.2	16,553,179	17,484,910
Investments at amortised cost	8.2	17,610,000	19,287,000
Reinsurance contract assets	10	205,476,042	166,664,169
Trade and other receivables	12	91,538,866	65,135,565
Prepayments		1,671,911	1,579,036
Bank balances and cash	23	275,006,671	229,541,552
Total current assets		607,856,669	499,692,232
Total assets		778,531,355	685,980,796

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

**Statement of financial position
as at 31 December 2010 (continued)**

	Notes	2010 AED	2009 AED
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	75,000,000	75,000,000
Legal reserve	14	37,500,000	37,500,000
General reserve	15	145,000,000	145,000,000
Investment revaluation reserve		(94,337,786)	(95,808,891)
Retained earnings		138,837,656	124,868,881
Total shareholders' equity		301,999,870	286,559,990
Non-current liability			
End of service benefit	17	5,139,415	5,030,169
Current liabilities			
Insurance contract liabilities	10	328,880,515	274,830,898
Trade and other payables	18	142,511,555	119,559,739
Total current liabilities		471,392,070	394,390,637
Total liabilities		476,531,485	399,420,806
Total equity and liabilities		778,531,355	685,980,796

.....
Chairman



.....
Director

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

**Income statement
for the year ended 31 December 2010**

	Notes	2010 AED	2009 AED
Gross written premium		282,748,947	237,023,819
Change in unearned premium		(17,826,416)	55,937
Insurance premium revenue		264,922,531	237,079,756
Reinsurance premium ceded		(154,221,269)	(133,883,321)
Change in reinsurance portion of unearned premium		6,996,714	(2,932,733)
Net reinsurance premium ceded		(147,224,555)	(136,816,054)
Net insurance premium revenue		117,697,976	100,263,702
Gross claims paid		(122,090,250)	(124,567,803)
Change in outstanding claims provision		(36,223,201)	7,393,435
Net claims incurred		(158,313,451)	(117,174,368)
Reinsurance share of claims paid		55,295,323	62,004,726
Change in reinsurance share of outstanding claims		31,815,159	(9,171,413)
Reinsurance share of claims incurred		87,110,482	52,833,313
Net claims incurred		(71,202,969)	(64,341,055)
Gross commission earned		34,096,663	29,668,940
Less: commission incurred		(17,240,097)	(13,023,350)
Net commission earned		16,856,566	16,645,590
Net underwriting income		63,351,573	52,568,237
Administrative expenses		(19,299,982)	(18,796,453)
Other operating expenses		(5,405,258)	(1,958,878)
Net investment and other income	19	14,822,442	16,230,646
Settlement from BCCI	20	-	164,773
Profit for the year	21	53,468,775	48,208,325
Basic earnings per share	22	0.71	0.64

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

**Statement of comprehensive income
for the year ended 31 December 2010**

	Notes	2010 AED	2009 AED
Profit for the year		53,468,775	48,208,325
Other comprehensive (loss)/income			
Net fair value gain on investments designated at FVTOCI	8.3	1,471,105	20,842,407
Directors' remuneration	11	(2,000,000)	(2,000,000)
Total other comprehensive (loss)/income		(528,895)	18,842,407
Total comprehensive income for the year		52,939,880	67,050,732

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

AL DHAFRA INSURANCE COMPANY P.S.C.

Statement of changes in equity for the year ended 31 December 2010

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 31 December 2008	75,000,000	37,500,000	140,000,000	(116,651,298)	121,160,556	257,009,258
Profit for the year	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	20,842,407	48,208,325 (2,000,000)	48,208,325 18,842,407
Total comprehensive income for the year	-	-	-	20,842,407	46,208,325	67,050,732
Transfer to general reserve	-	-	5,000,000	-	(5,000,000)	-
Dividends paid (note 16)	-	-	-	-	(37,500,000)	(37,500,000)
Balance at 31 December 2009	75,000,000	37,500,000	145,000,000	(95,808,891)	124,868,881	286,559,990
Profit for the year	-	-	-	-	-	-
Other comprehensive loss for the year	-	-	-	1,471,105	53,468,775 (2,000,000)	53,468,775 (528,895)
Total comprehensive income for the year	-	-	-	1,471,105	51,468,775	52,939,880
Dividends paid (note 16)	-	-	-	-	(37,500,000)	(37,500,000)
Balance at 31 December 2010	75,000,000	37,500,000	145,000,000	(94,337,786)	138,837,656	301,999,870

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

Statement of cash flows
for the year ended 31 December 2010

	2010 AED	2009 AED
Operating activities		
Profit for the year	53,468,775	48,208,325
Adjustments for:		
Depreciation of property and equipment	888,838	900,436
Amortisation of intangible assets	385,095	187,231
Investment income	(13,924,750)	(15,181,005)
Loss/(gain) on disposal of property and equipment	(29,715)	3,012
Provision for end of service benefits	558,188	554,768
Operating cash flows before movements in working capital	41,346,431	34,672,767
(Decrease)/increase in reinsurance contract assets	(38,811,873)	12,104,146
Increase/(decrease) in insurance contract liabilities	54,049,617	(7,449,372)
Increase in trade and other receivables	(27,252,057)	(10,194,725)
Increase in prepayments	(92,875)	(16,745)
Increase in trade and other payables	20,951,816	7,788,286
Cash from operating activities	50,191,059	36,904,357
End of service benefits paid	(448,942)	(200,572)
Net cash from operating activities	49,742,117	36,703,785
Investing activities		
Proceeds from disposal of:		
Investments designated at FVTPL	-	37,244,947
Investments at amortised cost	19,287,000	6,796,800
Interest received	12,111,551	12,323,924
Dividends received	1,239,512	2,672,221
Rental income received	3,278,983	3,028,903
Proceeds from disposal of property and equipment	33,887	3,671
Purchase of:		
Investments at FVTOCI	(62,500)	-
Investments at amortised cost	-	(9,914,400)
Purchase of property and equipment	(2,086,928)	(723,463)
Purchase of intangible assets	(403,694)	(275,303)
Payment of investment expenses	(174,809)	(351,479)
Movement in bank deposits with original maturities of greater than three months	(16,102,686)	(48,853,998)
Increase in statutory deposits	-	(4,000,000)
Net cash from/(used in) investing activities	17,120,316	(2,048,177)
Financing activities		
Dividends paid	(37,500,000)	(37,500,000)
Increase/(decrease) in cash and cash equivalents	29,362,433	(2,844,392)
Cash and cash equivalents at the beginning of the year	13,300,872	16,145,264
Cash and cash equivalents at the end of year (note 23)	42,663,305	13,300,872

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

**Notes to the financial statements
for the year ended 31 December 2010**

1 General information

Al Dhafra Insurance Company P.S.C. (the "Company") is a public shareholding company incorporated in Abu Dhabi by Emiri Decree No. 8 of 1979.

The Company is domiciled in the United Arab Emirates and its registered office address is PO Box 319, Abu Dhabi.

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

The Company is engaged in insurance and reinsurance of all classes of business with the exception of endowments and annuities.

2 Adoption of new and revised standards

2.1 Standard affecting presentation and disclosure

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

IFRS 9 Financial Instruments

In the prior year and current year, the Company has applied IFRS 9 Financial Instruments (IFRS 9) (as issued in November 2009 and revised in October 2010) and the related consequential amendments in advance of its effective date. The application of the amendments to IFRS 9 made in October 2010 has not had a material impact to the Company's accounting policies.

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

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

New and revised IFRSs

Summary of requirement

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*

The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.

Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*

The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

2 Adoption of new and revised standards (continued)

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

<u>New and revised IFRSs</u>	<u>Summary of requirement</u>
Amendment to IFRS 3 (revised) <i>Business Combinations</i> and consequential amendments to IAS 27 (revised) <i>Consolidated and Separate Financial Statements</i> , IAS 28 (revised) <i>Investments in Associates</i> and IAS 31 (revised) <i>Interests in Joint Ventures</i>	Comprehensive revision on applying the acquisition method.
Amendments to IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> (as part of <i>Improvements to IFRSs</i> issued in 2008)	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Company is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Company will retain a non-controlling interest in the subsidiary after the sale.
Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
IFRIC 17 <i>Distributions of Non-cash Assets to Owners</i>	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
IFRIC 18 <i>Transfers of Assets from Customers</i>	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 Revenue.
Improvements to IFRSs issued in 2009	The application of Improvements to IFRSs issued in 2009 which amended IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16 has not had any material effect on amounts reported in the financial statements.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

2 Adoption of new and revised standards (continued)

2.3 New and revised IFRSs in issue but not yet effective

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

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

Management anticipates that the adoption of the above Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company in the period of initial application.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates (UAE) Federal Law No. 8 of 1984 (as amended) and Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of UAE.

3.2 Basis of preparation

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

The principal accounting policies are set out below.

3.3 Change in accounting policy

IAS 40 Investment property

In 2009, the Company has changed its accounting policy for recording investment properties from the cost model to the fair value model in accordance with IAS 40 *Investment Property*.

This change in the accounting policy has been accounted for retrospectively with earliest comparative periods restated in accordance with the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 1 (as revised in 2007) *Presentation of Financial Statements*.

The impact of this change in accounting policy as at 31 December 2009 resulted in an increase in investment properties by AED 75,805,017 and the recognition of gain on revaluation in the profit or loss amounting to AED 6,000,000 (see note 19). Net profit for the year 2009 has therefore been increased by AED 6,000,000 as a result of the new policy. The investment properties as at 31 December 2009 amounted to AED 81,000,000 as a result of the change (see note 6).

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Change in accounting policy (continued)

IFRS 9 Financial Instruments

The Company also adopted IFRS 9 *Financial Instruments* (IFRS 9) in 2009 in advance of its effective date. The Company has chosen 31 December 2009 as its date of initial application (i.e. the date on which the Company has assessed its existing financial assets) as this is the first reporting period end since the Standard was issued on 12 November 2009.

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

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

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

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

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

- the Company's investments in debt instruments meeting the required criteria are measured at amortised cost;
- most of the Company's equity instruments that are not held for trading have been designated as at FVTOCI; except for an investment in unquoted equity security which had been disposed in 2009; and
- the remaining investments in funds are measured at FVTPL.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Change in accounting policy (continued)

IFRS 9 Financial Instruments (continued)

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

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

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

The impact of adopting IFRS 9 has been effected in 2009 without prior period restatement. There were no disposals of investments designated at FVTOCI and therefore only the increase in fair value amounting to AED 20,842,407 was recognised in other comprehensive income with respect to these investments. The decrease in fair value of investments measured at FVTPL is recognised in profit or loss amounting to AED 11,046,287 (see note 19).

3.4 Insurance contracts

Definition

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Recognition and measurement

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

These contracts are casualty and property insurance contracts.

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

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.4 Insurance contracts (continued)

Recognition and measurement (continued)

For all these insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown in the profit and loss before deduction of commission.

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

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. The Company assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the end of the reporting period, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the end of the reporting period. This provision is calculated at 40% of the annual premiums written for all insurance classes except marine which are calculated at 25% and Motor at 45%.

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

Deferred policy acquisition costs

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.4 Insurance contracts (continued)

Salvage and subrogation reimbursements

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

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the profit or loss initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss.

3.5 Revenue recognition

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

Insurance contract income

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these financial statements (see above 3.4)

Commission income and expenses

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

Rental, dividend and interest income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease and is stated net of related property expenses. Dividend income is recognised when the Company's right to receive the payment has been established. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable. For investments held until maturity which have variable rates of return, the minimum guaranteed return is recognised in the profit or loss using the effective interest rate method. Returns in excess of the minimum guaranteed return, if any, are recognised on maturity.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.6 Foreign currencies

For the purpose of these financial statements UAE Dirhams (AED) is the functional and the presentation currency of the Company.

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

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

3.7 Property and equipment

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

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

Depreciation is calculated so as to write off the cost of property and equipment on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Furniture and fittings	25
Motor vehicles	33.33
Computer equipment and accessories	20

The estimated useful lives, residual values and depreciation method reviewed at the end of each annual reporting period with the effect of any changes accounted for on a prospective basis.

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

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.8 Capital work in progress

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. When the asset is ready for its intended use and is commissioned, capital work in progress is transferred to the appropriate property, plant and equipment or intangible asset category and is depreciated or amortised on the same basis as other assets in accordance with Company's policies.

3.9 Investment properties

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

3.10 Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Cost includes purchase cost, together with any incidental expenses of acquisition. The amortisation charge is calculated so as to write off the cost of the intangible asset on a straight-line basis over the expected useful economic life of 6 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period with the effect of any changes in estimation accounted for on a prospective basis.

3.11 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.11 Impairment of non-financial assets (continued)

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

3.12 Provisions

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

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

3.13 Employee benefits

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

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (2), 2000 for Pension and Social Security. Such contributions are charged to the profit or loss during the employees' period of service.

3.14 Financial assets

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

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

3.14.1 Classification of financial assets

The Company had the following financial assets as at 31 December 2010: 'cash and cash equivalents', 'loans and receivables', 'investments at amortised costs', 'financial assets at fair value through profit or loss (FVTPL)', and 'financial assets at fair value through other comprehensive income (FVTOCI)'.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.14 Financial assets (continued)

3.14.2 Financial assets at amortised cost and the effective interest method

Cash and cash equivalents

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

Insurance receivables

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

Investments at amortised cost

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

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

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see note 3.14.3 below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see note 3.14.5 below).

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

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

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.14 Financial assets (continued)

3.14.3 Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortised cost criteria described in note 3.14.2, or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Company has not designated a debt instrument financial asset as at FVTPL.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from FVTPL to amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition (see note 3.14.2) is not permitted.

Investments in equity instruments are mandatorily classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition as described in note 3.14.4 below.

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

3.14.4 Financial assets at FVTOCI

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

A financial asset is held for trading if:

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

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.14 Financial assets (continued)

3.14.5 Impairment of financial assets at amortised cost

Financial assets that are measured at amortised cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

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

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

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

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

3 Summary of significant accounting policies (continued)

3.14 Financial assets (continued)

3.14.6 Derecognition of financial assets

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

3.15 Financial liabilities and equity instruments issued by the Company

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

3.15.1 Equity instruments

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

3.15.2 Financial liabilities

Financial liabilities comprise insurance payables and other liabilities, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term liabilities when the recognition of interest would be immaterial.

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

3.15.3 Derecognition of financial liabilities

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

3.16 Dividend distribution

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

4 Critical accounting judgments and key sources of estimation of uncertainty

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

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

4.1 Classification of investments

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

4.2 Impairment of amounts due from policy holders

An estimate of the collectible amounts from policyholders is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired entails the Management's evaluation of the specific credit and liquidity position of the policy holders and their historical recovery rates including detailed investigations carried out during 2010 and feedback received from the legal department. Impairment allowance balance of amounts due from policy holders at 31 December 2010 is AED 6,291,017 (2009 - AED 5,991,017).

4.3 Impairment of investments at amortised cost

Management regularly reviews indicators of impairment for investments at amortised cost and considers the criteria as set out in IFRS 9 *Financial Instruments*. Management evaluated the basis, particularly instances of default or delinquency in interest or principal payments. Management assessed that the impairment of investments at amortised cost is AED 750,000 (2009 – AED Nil).

4.4 Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Company determined the amount within a range of reasonable fair value estimates. In making its judgment, the Company considered recent prices of similar properties in the same location and similar conditions, which adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

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

4.4 The ultimate liability arising from claims made under insurance contracts

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

4.5 Liability adequacy test

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

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Notes to the financial statements for the year ended 31 December 2010 (continued)

5 Property and equipment

Cost	Furniture and fittings AED	Motor vehicles AED	Computer equipment and accessories AED	Capital work in progress AED	Total AED
1 January 2009					
Additions	2,566,955	680,600	1,102,622	583,863	4,934,040
Disposals	350,103	-	102,993	270,367	723,463
Transfer	(164,967)	-	(60,072)	-	(225,039)
Transfer to intangible assets (note 7)	300,987	-	10,870	(311,857)	-
	-	-	-	(359,694)	(359,694)
31 December 2009					
Additions	3,053,078	680,600	1,156,413	182,679	5,072,770
Disposals	303,457	136,000	158,898	1,488,573	2,086,928
Transfer	(185,181)	(75,000)	(13,481)	-	(273,662)
Transfer to intangible assets (note 7)	40,990	-	-	(40,990)	-
	-	-	-	(12,845)	(12,845)
31 December 2010					
	3,212,344	741,600	1,301,830	1,617,417	6,873,191
Accumulated depreciation					
1 January 2009					
Charge for the year	1,529,173	278,212	713,563	-	2,520,948
Disposals	570,887	139,811	189,738	-	900,436
	(159,022)	-	(59,334)	-	(218,356)
31 December 2009					
Charge for the year	1,941,038	418,023	843,967	-	3,203,028
Disposals	622,229	178,740	87,869	-	888,838
	(181,009)	(75,000)	(13,481)	-	(269,490)
31 December 2010					
	2,382,258	521,763	918,355	-	3,822,376
Carrying amount					
31 December 2010					
	830,086	219,837	383,475	1,617,417	3,050,815
31 December 2009					
	1,112,040	262,577	312,446	182,679	1,869,742

Capital work in progress represents the costs incurred in the renovation of the office premises. All property and equipment are located in the UAE.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

6 Investment properties

	Land AED	Abu Dhabi building AED	Al Ain building AED	Total AED
Fair value as at 1 January 2007 and 31 December 2008	51,000,000	20,500,000	3,500,000	75,000,000
Increase/(decrease) in fair value during the year 2009	5,600,000	(100,000)	500,000	6,000,000
Fair values 31 December 2009 and 2010	56,600,000	20,400,000	4,000,000	81,000,000

The fair values of Company's investment properties at 31 December 2010 were estimated by the Management. Management has considered recent prices for similar properties in the same location and similar condition and also the prevailing situation of Real Estate properties in UAE and concluded that there is no change in fair values compared to the value as of 31 December 2009 which was determined by Malcolm Gaskill, Dubai, Loss Adjusters and Surveyors during the year 2009.

The plots of land in Abu Dhabi and Al Ain on which investment properties are constructed were awarded to the Company free of cost by the Executive Council of the Government of Abu Dhabi on 21 June 1981 and 27 August 1983, respectively. The fair values of the plots of land in Abu Dhabi and Al Ain as at 31 December 2009 and 2010 amounted to AED 40,600,000 and AED 16,000,000, respectively.

The construction of the Abu Dhabi head office building was completed during 1992. The Company occupies three floors of the building for its Head Office with the remaining fourteen floors available for letting to third parties.

The construction of the Al Ain office building was completed in 1993. The Company is utilizing the first and mezzanine floors for housing its Al Ain Branch office with the remaining space available for letting to third parties.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

7 Intangible assets

	Computer software AED
Cost	
1 January 2009	1,800,307
Additions	275,303
Transfer from capital work in progress (note 5)	359,694
Disposals	(22,850)
31 December 2009	2,412,454
Additions	403,694
Transfer from capital work in progress (note 5)	12,845
31 December 2010	2,828,993
Accumulated amortisation	
1 January 2009	1,296,592
Charge for the year	187,231
Write-off	(22,850)
31 December 2009	1,460,973
Charge for the year	385,095
31 December 2010	1,846,068
Carrying amount	
31 December 2010	982,925
31 December 2009	951,481

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

8 Investments

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

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application of IFRS 9 on 31 December 2009.

Type of Investment	Original measurement category (IAS 39)	New measurement category (IFRS 9)
Equity securities (i)	Available-for-sale (AFS) investments	Investments in equity instruments designated at fair value through other comprehensive income (FVTOCI)
Investment funds(ii)	AFS investments	Investments in equity instruments at fair value through profit or loss (FVTPL)
Investment funds (iii)	Held to maturity investments	Investments at amortised cost
Long-term deposits (iii)	Held to maturity investments	Investments at amortised cost
Bonds (iii)	Held to maturity investments	Investments at amortised cost

- (i) Investments in equity instruments are by default classified as at FVTPL. The entity has chosen to designate the investment in quoted UAE shares at FVTOCI as it intends to hold the investment for the medium to long-term as a strategic investment. The Company believes therefore that designating as at FVTOCI will provide a more meaningful presentation of its medium to long-term interest in its investment than fair valuing the interest through profit or loss.
- (ii) Investment funds comprise various mutual funds in the UAE. They were reclassified from AFS investments to financial assets at FVTPL because it is the Company's objective to hold these for trading.
- (iii) Investment funds, long-term deposits and bond investments, previously included in held to maturity investments, comprise asset-backed securities which give target returns as per agreement or returns dependent on the price of the underlying asset backing the investment. They were considered to meet the criteria of IFRS 9 to be classified as at amortised cost.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

8 Investments (continued)

8.2 Composition of investments

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

	2010 AED	2009 AED
Investments at FVTOCI		
Quoted UAE equity securities	65,726,546	64,192,941
	<hr/>	<hr/>
Investments at FVTPL		
Investment funds	16,553,179	17,484,910
	<hr/>	<hr/>
Investments at amortised cost (previously held to maturity investments)		
Investment funds	17,610,000	22,860,000
Bonds	9,914,400	24,701,400
	<hr/>	<hr/>
	27,524,400	47,561,400
	<hr/>	<hr/>
<i>Current</i>	17,610,000	19,287,000
<i>Non-current</i>	9,914,400	28,274,400
	<hr/>	<hr/>
	27,524,400	47,561,400
	<hr/>	<hr/>

Included in the investment funds, is a three-year investment of US\$ 5 million in Arabian Real Estate Fund, which has a minimum target return of 8% per annum.

Bonds at amortised cost comprise of five-year investment amounting to US\$ 2.7 million in Aldar Bonds which bears a fixed interest of 9.1%. Interest is payable semi-annually on 14 May and 14 November. During the year, the Company redeemed its investment in Oman development bonds amounting to AED 14,787,000.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

8 Investments (continued)

8.2 Composition of investments (continued)

The geographical distribution of investments is as follows:

	2010 AED	2009 AED
Within UAE	109,804,125	114,452,251
Outside UAE	-	14,787,000
	<u>109,804,125</u>	<u>129,239,251</u>

8.3 Movement in investments

The movement in investment during the year is as follows:

	at FVTOCI AED	at FVTPL AED	Total AED
Investments at fair value			
Fair value at 1 January 2009	-	-	-
Reclassification adjustment upon initial application of IFRS 9 (see below)	43,350,534	64,376,144	107,726,678
Proceeds from disposal	-	(37,244,947)	(37,244,947)
Gain on disposal	-	1,400,000	1,400,000
Increase/(decrease) in fair value taken to			
Profit or loss (note 19)	-	(11,046,287)	(11,046,287)
Other comprehensive income	20,842,407	-	20,842,407
Fair value at 1 January 2010	64,192,941	17,484,910	81,677,851
Additions during the year	62,500	-	62,500
Increase/(decrease) in fair value taken to			
Profit or loss (note 19)	-	(931,731)	(931,731)
Other comprehensive income	1,471,105	-	1,471,105
Fair value at 31 December 2010	<u>65,726,546</u>	<u>16,553,179</u>	<u>82,279,725</u>

The movement in previous measurement category is presented below:

	2010 AED	2009 AED
AFS investments		
Fair value at 1 January	-	107,726,678
Reclassification adjustment upon initial application of IFRS 9	-	(107,726,678)
Fair value at 31 December	<u>-</u>	<u>-</u>

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

8 Investments (continued)

8.3 Movement in investments (continued)

	2010 AED	2009 AED
Investments at amortised cost		
Amortised cost at 1 January	47,561,400	44,443,800
Purchases during the year	-	9,914,400
Proceeds from maturity	(19,287,000)	(6,796,800)
Provision for impairment	(750,000)	-
Amortised cost at 31 December	27,524,400	47,561,400

9 Statutory deposit

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

10 Insurance contract liabilities and reinsurance contract assets

	2010 AED	2009 AED
Insurance liabilities		
Reported claims	204,380,146	169,590,977
Claims incurred but not reported	9,021,434	7,587,402
Unearned premiums	115,478,935	97,652,519
	328,880,515	274,830,898
Recoverable from reinsurers		
Reported claims	142,180,269	111,594,345
Claims incurred but not reported	4,900,035	3,670,800
Unearned premiums	58,395,738	51,399,024
	205,476,042	166,664,169
Insurance liabilities – Net		
Reported claims	62,199,877	57,996,632
Claims incurred but not reported	4,121,399	3,916,602
Unearned premiums	57,083,197	46,253,495
	123,404,473	108,166,729

AL DHAFRA INSURANCE COMPANY P.S.C.

Notes to the financial statements for the year ended 31 December 2010 (continued)

10 Insurance contract liabilities and reinsurance contract assets (continued)

Movement in the insurance contract liabilities and reinsurance contract assets during the year is as follows:

	Year ended 31 December 2010			Year ended 31 December 2009		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
CLAIMS						
Notified claims	169,590,977	111,594,345	57,996,632	176,686,640	120,482,090	56,204,550
Incurred but not reported	7,587,402	3,670,800	3,916,602	7,885,174	3,954,468	3,930,706
Total at 1 January	177,178,379	115,265,145	61,913,234	184,571,814	124,436,558	60,135,256
Claims settled	(122,090,250)	(55,295,323)	(66,794,927)	(124,567,803)	(62,004,726)	(62,563,077)
Increase in liabilities	158,313,451	87,110,482	71,202,969	117,174,368	52,833,313	64,341,055
Total at 31 December	213,401,580	147,080,304	66,321,276	177,178,379	115,265,145	61,913,234
Notified claims	204,380,146	142,180,269	62,199,877	169,590,977	111,594,345	57,996,632
Incurred but not reported	9,021,434	4,900,035	4,121,399	7,587,402	3,670,800	3,916,602
Total at 31 December	213,401,580	147,080,304	66,321,276	177,178,379	115,265,145	61,913,234
UNEARNED PREMIUM						
Total at 1 January	97,652,519	51,399,024	46,253,495	97,708,456	54,331,757	43,376,699
Increase during the year	115,478,935	58,395,738	57,083,197	97,652,519	51,399,024	46,253,495
Release during the year	(97,652,519)	(51,399,024)	(46,253,495)	(97,708,456)	(54,331,757)	(43,376,699)
Net increase/(decrease) during the year	17,826,416	6,996,714	10,829,702	(55,937)	(2,932,733)	2,876,796
Total at 31 December	115,478,935	58,395,738	57,083,197	97,652,519	51,399,024	46,253,495

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

11 Related parties

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

	2010 AED	2009 AED
Premiums written	16,733,052	14,807,958
Due from related party policy holders	17,800,824	13,651,880
Claims paid	2,610,616	3,421,169
Directors' remuneration	2,000,000	2,000,000
Remuneration of key management	5,601,361	5,288,238

The remuneration of Directors is accrued and paid as an appropriation out of the profits of the year in accordance with the Federal Law No. 8 applicable to Commercial Companies operating in UAE.

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

12 Trade and other receivables

	2010 AED	2009 AED
Due from external policyholders	57,890,960	40,651,436
Due from related party policyholders (note 11)	17,800,824	13,651,880
Less: allowance for doubtful debts	(6,291,017)	(5,991,017)
Net due from policyholders	69,400,767	48,312,299
Due from insurance companies	12,887,526	7,598,863
Due from reinsurance companies	5,842,970	4,948,424
Interest receivable	2,722,982	3,571,738
Other receivables	684,621	704,241
	91,538,866	65,135,565

The average credit period on due from policy holders is 90 to 180 days. No interest is charged and no collateral is taken on trade and other receivables.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

12 Trade and other receivables (continued)

The Company has adopted a policy of only dealing with creditworthy counterparties. Adequate credit assessment is made before accepting an insurance contract from any counterparty. At the end of year, AED 25,535,484 (2009: AED 16,933,578) is due from the Company's largest policy holders. The Company considers these customers to be reputable and creditworthy.

Included in the Company's total due from policy holders are balances amounting to AED 25,086,503 (2009: AED 17,234,138) which are past due at the reporting date for which no allowance has been provided for, as there was no significant change in credit quality of these policy holders and the amounts are still considered recoverable.

Ageing of trade receivables

	2010 AED	2009 AED
Not past due	44,314,264	31,078,161
Past due but not impaired		
181 to 365 days	19,704,558	13,144,010
More than 365 days	5,381,945	4,090,128
	25,086,503	17,234,138
Past due and impaired		
181 to 365 days	278,583	572,103
More than 1 year but less than 2 years	1,119,260	982,619
More than 2 years but less than 3 years	474,860	54,959
More than 3 years	4,418,314	4,381,336
	6,291,017	5,991,017
Total due from policy holders	75,691,784	54,303,316

Movement in the allowance for doubtful debts:

Balance at beginning of the year	5,991,017	5,490,449
Impairment losses recognised on receivables	300,000	763,135
Amounts written off as uncollectible	-	(262,567)
Balance at end of the year	6,291,017	5,991,017

The Company has provided for certain receivables above 181 days based on estimated irrecoverable amounts, determined after review of specific credit quality of customers and past default experience. In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the customer from the date credit was initially granted up to the reporting date. Accordingly, management believes that there is no further provision required in excess of the allowance for doubtful debts.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

13 Share capital

	2010 AED	2009 AED
Authorised:		
75,000,000 ordinary shares of AED 1 each	75,000,000	75,000,000
Issued and fully paid:		
75,000,000 ordinary shares of AED 1 each	75,000,000	75,000,000

14 Legal reserve

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

15 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors and approved by the shareholders. This reserve may be used for such purposes as they deem fit.

16 Proposed dividends

For the year ended 31 December 2010, the Board of Directors has proposed a cash dividend of AED 37,500,000 representing 50% of the paid up capital and a bonus shares issue of 15,000,000 shares amounting to AED 15,000,000. The cash dividend and bonus shares are subject to approval by the Shareholders at the Annual General Meeting.

Dividends, amounting to AED 37,500,000 each, for the years ended 31 December 2009 and 2008 were approved by the Shareholders at the Annual General Meetings held in 2010 and 2009, respectively.

17 End of service benefit

	2010 AED	2009 AED
Balance at the beginning of the year	5,030,169	4,675,973
Charge for the year	558,188	554,768
Paid during the year	(448,942)	(200,572)
Balance at the end of the year	5,139,415	5,030,169

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

18 Trade and other payables

	2010	2009
	AED	AED
Due to policy holders	12,310,482	11,786,571
Due to insurance companies	25,520,164	14,477,379
Due to reinsurance companies	44,554,174	40,813,802
Premium reserve withheld	22,131,742	22,826,571
Commissions payable	17,500,000	17,500,000
Deferred income	8,102,431	3,827,293
Directors' remuneration payable (note 11)	2,000,000	2,000,000
Other payables	10,392,562	6,328,123
	142,511,555	119,559,739

The average credit period is 60 to 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within credit time frame.

19 Net investment and other income

	2010	2009
	AED	AED
Net rental income (a)	3,278,983	3,028,903
Net interest income (b)	11,390,543	13,477,647
Dividend income (c)	1,111,764	2,672,221
Net (loss)/gain on disposal of investments (d)	(174,809)	1,048,521
Impairment loss on investments at amortised cost (note 8.3)	(750,000)	-
Decrease in fair value of investments at FVTPL (note 8.3)	(931,731)	(11,046,287)
Revaluation gain on investment property (note 3.3)	-	6,000,000
Gain/(loss) on disposal of property and equipment	29,715	(3,012)
Other income	867,977	1,052,653
	14,822,442	16,230,646

Details of major investment income are as follows:

Net rental income:		
Gross rental income	3,887,216	3,717,974
Less: building expenses	(608,233)	(689,071)
Net rental income (a)	3,278,983	3,028,903

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

19 Net investment and other income (continued)

Details of major investment income are as follows (continued):

	2010	2009
Net interest income on:		
Bank deposits	9,435,049	11,221,311
Investments at amortised cost	1,955,494	2,256,336
Net interest income (b)	11,390,543	13,477,647
Dividend income on:		
Investments at FVTOCI	1,111,764	2,547,221
Investments at FVTPL	-	125,000
Dividend income (c)	1,111,764	2,672,221
Gain on disposal of:		
investments at FVTPL (note 8.3)	-	1,400,000
Less: investment expenses	(174,809)	(351,479)
Net (loss)/gain on disposal of investments (d)	(174,809)	1,048,521

20 Settlement from BCCI

An allowance of AED 6,461,730 representing 100% of the nominal value of the term deposits was established as at the end of 1994 against BCCI deposits. During the year, the Company received a further disbursement of AED Nil (2009 – AED 164,773) from the BCCI Liquidators. Cumulative settlements received to date amount to AED 5,656,775.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

21 Profit for the year

Profit for the year is stated after charging:

	2010 AED	2009 AED
Staff costs	16,545,135	14,479,213
Depreciation of property and equipment (note 5)	888,838	900,436
Amortisation of intangible assets (note 7)	385,095	187,231
Foreign exchange loss	95,835	133,799

22 Basic earnings per share

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

	2010	2009
Profit for the year (AED)	53,468,775	48,208,325
Weighted average number of ordinary shares in issue throughout the year	75,000,000	75,000,000
Basic earnings per share (AED)	0.71	0.64

The Company does not have potentially dilutive shares and accordingly, diluted earnings per share equals basic earnings per share.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

23 Cash and cash equivalents

	2010 AED	2009 AED
Cash on hand	19,250	24,250
Call accounts	23,427,582	13,276,622
Term deposits	251,559,839	216,240,680
	<hr/>	<hr/>
Bank balances and cash	275,006,671	229,541,552
Less: deposits with original maturities of greater than three months	(232,343,366)	(216,240,680)
	<hr/>	<hr/>
	42,663,305	13,300,872
	<hr/>	<hr/>

The interest rate on fixed deposits and call accounts with banks ranges between 0.55% and 4.55% (2009: 2% and 6%) per annum. All bank deposits are held in local banks in the United Arab Emirates.

24 Segment information

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

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

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

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

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

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Notes to the financial statements for the year ended 31 December 2010 (continued)

24 Segment information (continued)

24.1 Segment revenue and results

	Year ended 31 December 2010			Year ended 31 December 2009		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	316,845,610	16,667,299	333,512,909	266,692,759	21,608,087	288,300,846
Direct costs	(253,494,037)	(1,060,818)	(254,554,855)	(214,124,522)	(1,380,795)	(215,505,317)
Administrative expenses	(19,299,982)	-	(19,299,982)	(18,796,453)	-	(18,796,453)
Depreciation expense	(888,838)	-	(888,838)	(900,436)	-	(900,436)
Amortisation expense	(385,095)	-	(385,095)	(187,231)	-	(187,231)
Other (expenses)/income	(4,131,325)	-	(4,131,325)	(871,211)	-	(871,211)
Non-cash investment	-	-	-	-	-	-
Losses	-	(1,681,731)	(1,681,731)	-	(11,046,287)	(11,046,287)
Gains	-	-	-	-	6,000,000	6,000,000
Settlement from BCCI	-	-	-	164,773	-	164,773
Segment profit	38,646,333	13,924,750	52,571,083	31,977,679	15,181,005	47,158,684
Other income	-	-	897,692	-	-	1,049,641
Profit for the year	38,646,333	13,924,750	53,468,775	31,977,679	15,181,005	48,208,325

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the year (2009: AED Nil).

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3.

AL DHAFRA INSURANCE COMPANY P.S.C.

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**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

24 Segment information (continued)

24.2 Segment assets and liabilities

	As at 31 December 2010			As at 31 December 2009		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets						
Unallocated assets	302,720,559	452,363,964	755,084,523	236,199,993	436,479,931	672,679,924
	-	-	23,446,832	-	-	13,300,872
Total assets	<u>302,720,559</u>	<u>452,363,964</u>	<u>778,531,355</u>	<u>236,199,993</u>	<u>436,479,931</u>	<u>685,980,796</u>
Segment liabilities						
Unallocated liabilities	459,062,526	10,058,747	469,121,273	389,636,471	3,838,755	393,475,226
	-	-	7,410,212	-	-	5,945,580
Total liabilities	<u>459,062,526</u>	<u>10,058,747</u>	<u>476,531,485</u>	<u>389,636,471</u>	<u>3,838,755</u>	<u>399,420,806</u>
Capital expenditure	<u>2,490,622</u>	<u>-</u>	<u>2,490,622</u>	<u>998,767</u>	<u>-</u>	<u>998,767</u>

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

24 Segment information (continued)

24.3 Revenue from underwriting departments

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

	Revenue 2010 AED	Revenue 2009 AED
Motor	119,120,964	118,754,597
Engineering	39,333,873	39,102,188
Medical	61,108,460	29,931,695
Fire	19,205,753	19,342,236
Workmen's compensation and third party Liability	17,545,382	12,352,375
Others	60,531,178	47,209,668
	316,845,610	266,692,759

24.4 Geographical information

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

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

	Revenue 2010 AED	Revenue 2009 AED	Total assets 2010 AED	Total assets 2009 AED
United Arab Emirates	296,225,797	252,692,369	775,363,985	671,193,796
Other GCC countries	18,015,768	15,783,841	2,248,103	14,787,000
Others	19,271,344	19,824,636	919,267	-
	333,512,909	288,300,846	778,531,355	685,980,796

25 Contingent liabilities

	2010 AED	2009 AED
Bank guarantees	16,177,822	17,673,504

The above bank guarantees were issued in the normal course of business.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

26 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the estimated amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). Furthermore, the Company's strategy limits the total exposure to any one territory and the exposure to any one industry.

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

26 Insurance risk (continued)

Frequency and severity of claims (continued)

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set minimum limit of AED 200,000 in any one event. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

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

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

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

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

26 Insurance risk (continued)

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

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

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

<u>Type of risk</u>	<u>Year ended 31 December 2010</u>		<u>Year ended 31 December 2009</u>	
	<u>Gross Loss</u> Ratio	<u>Net Loss</u> Ratio	<u>Gross Loss</u> Ratio	<u>Net Loss</u> Ratio
Motor	70%	66%	83%	78%
Non-Motor	27%	36%	27%	29%

Process used to decide on assumptions

The risks associated with the insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Company uses assumptions based on a mixture of internal and market data to measure its claims liabilities. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

26 Insurance risk (continued)

Claims development process

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

Underwriting year	2006 AED'000	2007 AED'000	2008 AED'000	2009 AED'000	2010 AED'000	Total AED'000
<u>Motor - Gross:</u>						
At the end of the underwriting year	43,369	36,091	42,033	35,494	22,619	-
One year later	65,229	70,492	90,790	84,651	-	-
Two years later	66,952	76,861	96,194	-	-	-
Three years later	61,360	78,071	-	-	-	-
Four years later	59,980	-	-	-	-	-
Current estimate of cumulative claims	59,980	78,071	96,194	84,651	22,619	341,515
Cumulative payments to date	(42,870)	(68,127)	(82,763)	(65,810)	(20,313)	(279,883)
Liability recognised in the statement of financial position	17,110	9,944	13,431	18,841	2,306	61,632
<u>Non-motor - Gross:</u>						
At the end of the underwriting year	108,742	23,943	22,249	30,996	26,217	-
One year later	150,312	25,564	29,848	51,952	-	-
Two years later	150,999	26,916	28,814	-	-	-
Three years later	143,199	40,393	-	-	-	-
Four years later	164,886	-	-	-	-	-
Current estimate of cumulative claims	164,886	40,393	28,814	51,952	26,217	312,262
Cumulative payments to date	(92,391)	(20,595)	(21,265)	(23,735)	(2,506)	(160,492)
Liability recognized in the statement of financial position	72,495	19,798	7,549	28,217	23,711	151,770

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

26 Insurance risk (continued)

Concentration of insurance risk

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

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

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

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

<u>Type of risk</u>	<u>Year ended 31 December 2010</u>		<u>Year ended 31 December 2009</u>	
	<u>Gross</u> AED	<u>Net</u> AED	<u>Gross</u> AED	<u>Net</u> AED
<u>Motor</u>				
UAE	2,273,020,379	2,269,201,448	2,553,230,042	2,107,778,883
<u>Non-Motor</u>				
UAE	60,817,996,562	1,309,036,178	58,292,830,774	1,326,269,276
GCC countries	1,155,835,604	13,715,941	1,025,428,952	11,811,794
Others	604,082,723	71,040,530	1,732,056,399	90,653,640
	62,577,914,889	1,393,792,649	61,050,316,125	1,428,734,710
Grand Total	64,850,935,268	3,662,994,097	63,603,546,167	3,536,513,593

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

26 Insurance risk (continued)

Sensitivity of underwriting profit and losses

The contribution by the insurance operations to the net profit of the Company stood at 72.28% for the year ended 31 December 2010 (2009 – 66.33%). The Company does not foresee any adverse change in the contribution of insurance profit due to the following reasons:

- The Company has an overall risk retention level in the region of 4.5% (2009 – 6%) and this is mainly due to low retention levels in Engineering and Fire and Accident lines. However, for other lines of business the Company is adequately covered by excess of loss reinsurance programs to guard against major financial impact.
- The Company has net commission earnings of around 27% (2009 – 32%) of the underwriting income predominantly from the reinsurance placement which remains as a comfortable source of income.

Because of low risk retention of 57% (2009 – 57%) of the volume of the business and limited exposure in high retention areas like Motor, the Company is comfortable to maintain an overall net loss ratio in the region of 52% (2009 - 64%) and does not foresee any serious financial impact in the insurance net profit.

27 Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The risks that the Company primarily faces due to the nature of its investments and underwriting business are interest rate risk, foreign currency risk, and market price risk, credit risk and liquidity risk.

27.1 Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. (6) of 2007 concerning the formation of Insurance Authority of UAE
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

27 Financial instruments (continued)

27.1 Capital risk management (continued)

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

	2010 AED	2009 AED
Minimum regulatory capital (a)	100,000,000	100,000,000
Share capital	75,000,000	75,000,000
Total equity	301,999,870	286,559,990

- (a) The UAE Insurance Authority has issued resolution no. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing insurance firm and AED 250 million for re-insurance firm. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The resolution allows for compliance with the minimum capital requirements up to a period of 3 years until 2012.

The Company has initiated a plan to increase the capital in order to comply with the above requirements.

27.2 Significant accounting policies

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

27 Financial instruments (continued)

27.3 Categories of financial instruments

	2010 AED	2009 AED
Financial assets		
Investments designated at FVTOCI	65,726,546	64,192,941
Investments designated at FVTPL	16,553,179	17,484,910
Investments at amortised cost	27,524,400	47,561,400
Statutory deposits	10,000,000	10,000,000
Trade and other receivables	91,538,866	65,135,565
Bank balances and cash	275,006,671	229,541,552
	<hr/>	<hr/>
Total	486,349,662	433,916,368
	<hr/>	<hr/>
Financial liabilities		
Trade and other payables	142,511,555	119,559,739
	<hr/>	<hr/>

27.4 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Company. The Company is exposed to interest rate risk on its investment in development bonds and term deposits that carry both fixed and floating interest rates which are detailed in Notes 8 and 23, respectively.

The Company generally tries to minimise the interest rate risk by closely monitoring the market interest rates and investing in those financial assets in which such risk is expected to be minimal.

Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher\lower and all other variables were held constant, the Company's profit for the year ended 31 December 2010 would increase\decrease by AED 2.6 million (2009 – AED 2.4 million). The Company's sensitivity to interest rates had increased mainly due to higher bank deposits during the current year.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

27 Financial instruments (continued)

27.5 Foreign currency risk management

The Company could incur foreign currency risk on transactions that are denominated in a currency other than AED.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2010	2009	2010	2009
	AED	AED	AED	AED
US Dollars	4,381,486	2,207,455	12,394,640	9,346,591
Oman Riyals	186	3,509	3,481	14,787,000
Pound Sterling	125,351	31,275	1,172,288	660,223
Euro	67,255	72,460	237,037	177,653
	4,574,278	2,314,699	13,807,446	24,971,467

There is no impact on US Dollar balances as the AED is pegged to the US Dollar. Based on the sensitivity analysis to a 20% increase/decrease in the AED against the relevant foreign currencies (assumed outstanding for the whole year):

- (a) there is AED 659 thousand (2009 – AED 2.95 million) net revaluation gain/loss on the Omani Riyal outstanding balances.
- (b) there is AED 209 thousand (2009 – AED 126 thousand) net revaluation gain/loss on the Pound Sterling outstanding balances.
- (c) there is AED 34 thousand (2009 – AED 21 thousand) net revaluation gain/loss on the Euro outstanding balances.

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

27.6 Market price risk management

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market price risk with respect to its quoted investments. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Company actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

27 Financial instruments (continued)

27.7 Credit risk management

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

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from banks for its bank balances and fixed deposits

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

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

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company. Details on concentration of amounts due from policyholders is disclosed in Note 12. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policy holders.

At 31 December 2010 and 2009, virtually all of the deposits were placed with 4 banks. Management is confident that this concentration of liquid assets at year end does not result in any credit risk to the Company as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

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

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

27 Financial instruments (continued)

27.8 Liquidity risk management

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. Bank facilities, the policy holders and the reinsurers, are the major sources of funding for the Company and the liquidity risk for the Company is assessed to be low.

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

	Carrying amount AED	0-180 days AED	181-365 days AED
Financial liabilities at 31 December 2010			
Trade and other payables	142,511,555	142,511,555	-
Financial liabilities at 31 December 2009			
Trade and other payables	119,559,739	119,559,739	-

**Notes to the financial statements
for the year ended 31 December 2010 (continued)**

27 Financial instruments (continued)

27.9 Fair value of financial assets and liabilities

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

Following the amendment to IFRS 7, all financial instruments that are required to be measured at fair value (subsequent to initial recognition) should be disclosed in a fair value hierarchy or grouping into 3 levels (Levels 1 to 3) based on the degree to which the fair value is observable.

Level 1 fair values are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices, and Level 3 are those that are derived from valuation techniques using unobservable inputs.

As at 31 December 2010, all of the Company's financial assets that are stated at fair value are grouped in Level 1. The Company does not carry financial liabilities at fair value.

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

28 Comparative figures

Certain comparative figures were reclassified to conform with the current period presentation with respect to the following:

	2009 AED	Reclassified AED	2010 AED
<i>Statement of cash flows captions reclassified</i>			
Deposits with original maturities of greater than three months	50,136,932	166,103,748	216,240,680
Cash and cash equivalents	179,404,620	(166,103,748)	13,300,872

29 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors in their meeting of 8 February 2011.