ADNIC

ABU DHABI NATIONAL INSURANCE COMPANY

YOUR RELIABLE INSURER

Annual report 2010

Welcome

Our industry has endured many changes these past years. However, there have been those of us who stood as beacons of stability, lighting the way towards a more certain future. It has been this dedication to stability that has kept ADNIC a well-grounded institution within the industry.

Like the lighthouse, we proudly stand here today not only as a symbol of reliability, but also as a testament to sustainable and profitable growth through innovation. Now, as a new year arrives, we would like to share with you the fruits of our labor for the year 2010.

May dedication, integrity, and ingenuity continue to guide us forward.

A beacon of light
guiding us towards stability

The Late
His Highness Sheikh Zayed Bin Sultan Al Nahyan
First President of the United Arab Emirates

His Highness
Sheikh Khalifa Bin Zayed Al Nahyan
President of the United Arab Emirates and Ruler of Abu Dhabi

His Highness
General Sheikh Mohammed Bin Zayed Al Nahyan
Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces

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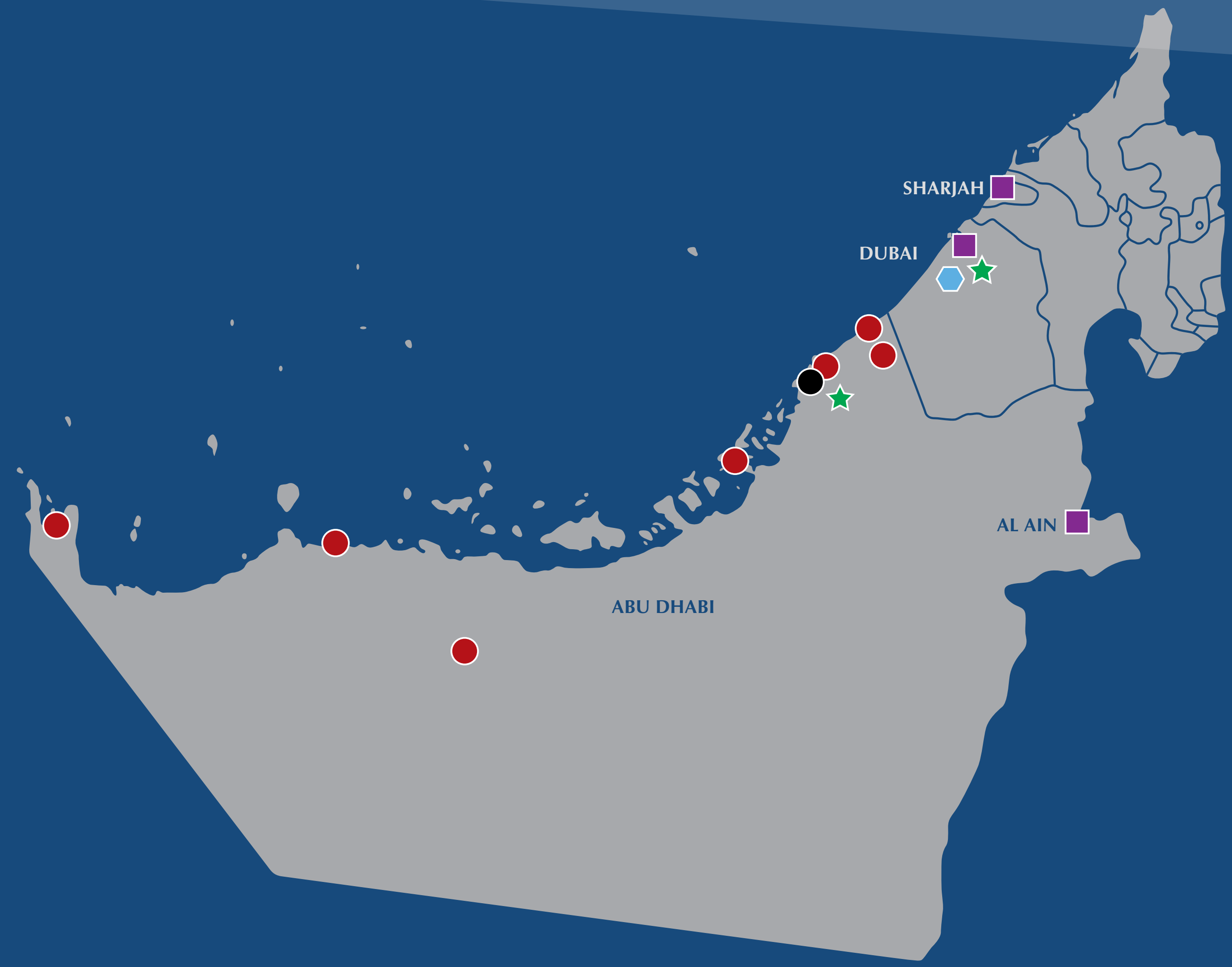
The Philosophy Behind the ADNIC Brand

The decision to modernize ADNIC's image came in response to an increasingly competitive marketplace and as part of the company's overall strategy to maintain its leadership position while entering an era characterized by ongoing changes.

Since its inception in 1972, ADNIC has endeavored to be the leading provider of quality, affordable insurance products and services, and we have established ourselves as a reliable insurer. We continually develop and enhance our products and services to meet the changing demands of a dynamic global marketplace, and our new brand symbolizes our commitment to continue catering to the best interest of our customers.

The new image reflects our founding principles of reliability and professionalism, while re-emphasizing the breadth of our quality products and services, and our ability to adapt when necessary using expertise gained from over 39 years in the business. The new logo demonstrates a modern look that appeals to a sophisticated mindset, while still promoting our true commitment to contributing to the enhancement of business and industry standards throughout the UAE and MENA region. The company's team of experienced professionals is capable of meeting the needs of a sophisticated, international clientele with efficient and timely claims services, supported by the latest in information technology resources.

Geographical Expansion of ADNIC



- Head Office
- Satellite Offices
- Existing Branches
- New Branches
- Underwriting Risk Services (Middle East) - Dubai International Financial Center (DIFC)

ADNIC
Board of Directors

Sheikh Dheyab Bin Tahnoon Al Nahyan

Sheikh Mohammad Bin Saif Al Nahyan

H.E Ahmed Ali Al Sayegh

Mr. Ghanem Bin Ali Bin Hamoodah

Mr. Sultan Bin Rashed Al Dhaheri

Mr. Mohammed Abdul Aziz Rubaye Al Muhairi

Mr. Khalifa Sultan Al Suwaidi

Mr. Abdulla Bin Khalaf Al Otaiba

Board of Directors' Message to our Shareholders

Dear Shareholders of Abu Dhabi National Insurance Company (ADNIC),

On behalf of the Board of Directors of Abu Dhabi National Insurance Company (ADNIC), we are pleased to present our Thirty-Eighth audited Annual Consolidated Financial Statements for the fiscal year of 2010.

The United Arab Emirates served as a regional model due to its proactive, prompt, and prudent response to the after-effect of the global financial crisis. As a result, the UAE's financial services framework, particularly relating to Insurance, demonstrated resilience, reliability, and security in this challenging economic cycle.

ADNIC has always embodied these corporate traits as it has evolved over the last 39 years. We remain confident that this emphasis on reliability will ensure that the company brand will help navigate the organization through current and future economic cycles.

We welcome the recent initiative taken by the UAE Insurance Authority under the guidance of the UAE Government of issuing new draft insurance regulations. This step will provide a more robust regulatory framework for insurance companies to operate in with the goal of maintaining industry strength and increasing consumer confidence and satisfaction.

These new regulations will also provide an appropriate level of protection for policyholders through introduction of solvency regime, asset allocation, transparency, and standardization in the insurance industry. ADNIC supports this effort and as a leading market player, is taking an active role and participating in the process by providing constructive feedback to the UAE Insurance Authority to help formalize the draft of the UAE insurance regulations.

Our profitable growth was accomplished despite a greater level of competition from both local and international participants in the UAE. The Board of Directors is pleased with the structured and methodical approach being taken by the company in its drive to demonstrate insurance leadership in our marketplace. The results achieved will continue to steadily improve as the management team capitalizes on the momentum and energy harnessed in 2010.

The Board of Directors, on behalf of the shareholders and management of ADNIC, expresses its sincere appreciation and utmost gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates and Ruler of Abu Dhabi, and to His Highness, Crown Prince Sheikh Mohammad Bin Zayed Al Nahyan for their continued support and outstanding encouragement extended to ADNIC and the business community at large.

The Board of Directors of ADNIC would like to extend a note of appreciation to the shareholders, clients, and business partners for their continued confidence and support, and to the Company's management and staff for ensuring that ADNIC remains "Your Reliable Insurer".

Khalifa Al-Kindi
Chairman of the Board

Chief Executive Officer's Message

As we reflect back on 2010 and look forward to 2011, we observe that Abu Dhabi National Insurance Company (ADNIC) has made significant strides forward in its "Accelerated Evolution" journey. This can best be exemplified by the steady progress achieved in terms of financial position in the marketplace, focus on modernization, expansion of our branch and broker distribution network, establishment of the Business Development and Customer Relationship Management division, and strengthening Customer Services through our call center and for our walk-in customers.

ADNIC reported impressive results from its core insurance business operations for the year ended 31 December 2010, driven largely by a rejuvenated emphasis to expand product offerings and broker partnerships, enhanced investment and risk management, and continued progress in the deployment of the company's customer-centric business model. ADNIC has achieved its premium growth target of 14.1% reaching AED 1.77 Billion in gross premium written versus AED 1.55 Billion in 2009 by expanding its consumer product suite and distribution network, specifically broker channel management. This underwriting effort coupled with sustained support from brokers and partners resulted in a customer retention ratio of 92% for large strategic clients. These combined efforts resulted in the company achieving a Net Underwriting Income of AED 222 Million in 2010 in spite the company's effort to realign its technical reserving methodology with International Financial Reporting Standards (IFRS).

The company's drive to steadily increase its underwriting risk retention as part of its enhanced risk appetite has resulted in an increase in premium retention ratio to 41.1% in 2010 compared to 39.4% in 2009. The company continues to implement globally recognized accounting methods and practices guided by International Financial Reporting Standards (IFRS). ADNIC was still able to achieve a Net Profit of AED 142 Million for the entire year of 2010, while further strengthening its balance sheet. Investment Income increased to AED 67 Million in 2010 compared to an investment loss of AED 88 Million in 2009.

ADNIC was able to maintain a relatively unchanged position in the Shareholder equity amounting to AED 2.05 Billion as at 31 December 2010 versus AED 2.03 Billion as at 31 December 2009. Earnings per Share (EPS) reached AED 0.38 per ordinary share for 2010 compared to AED 0.14 EPS for last year. This represents a 171% increase in earnings per share. ADNIC's liquidity position remains extremely strong with over AED 1.2 Billion as cash in bank as at 31 December 2010, which is the same strength as it was at 31 December 2009. We are proud to note that as the National Insurance Company, ADNIC's bank balances are maintained with leading UAE-based banks in line with our commitment to support the UAE national economy.

As a result of the organizational changes occurring within the company and our ability to maintain our financial strength, ADNIC was awarded Middle East Insurance Company of the Year for 2010 for the second consecutive year by World Finance Magazine in London in October 2010. Furthermore, during 2010 ADNIC's financial strength rating was reaffirmed by Standard & Poor's (S&P) as Strong (A-) with an upward revision on its Outlook from Stable to Positive. This comes subsequent to A.M. Best Co.'s financial strength rating of the company as A (Excellent) and an Issuer Credit Rating (ICR) of 'A' with an outlook on both ratings as Stable. These global recognitions are a further testament that our strategy is working in line.

2011 will see ADNIC further metamorphosize by expanding our branch and broker distribution network and by offering innovative insurance products. Expanding our Branch Office network in Dubai and leveraging our Joint Venture with Talbot Underwriting (Lloyds – UK) in the Dubai International Financial Center (DIFC), have provided us with enhanced expansion opportunities, which will bring sustainable value to our customers, partners, and brokers.

We capitalized on the 2010 economic environment to further strengthen our personnel, processes, products, and services, while gradually transitioning our corporate culture to one that is oriented towards continuous performance improvement. We remain confident in our organization's ability to deliver on its promise of reliability as a result of our financial and team strength, management expertise, and emphasis on quality insurance solution supported by effective claims and customer services.

On behalf of Your Reliable Insurer, thank you for your overwhelming support and confidence throughout 2010.

Walid A. Sidani
Chief Executive Office

Our Corporate Team

From left to right

Samir Abdul Ahad, Deputy Chief Executive Officer – Marine & Aviation Sector – Underwriting & Claims
Ahmad Idris, Deputy Chief Executive Officer – Non-Marine Sector – Underwriting & Claims

From left to right

Benjamin Graham, Chief Risk Officer
Saurabh Saran, Chief Services Officer
Jalal Al Khaled, Chief Human Resources Officer
Shaikh Ahmed, Chief Distribution Officer
Alaa Fares, Chief Finance Officer
Hussein Samara, Chief Information Officer

Back Row - From left to right

Sai Subramanian, Senior Manager – Project Management Office
Adrian Alexander, Deputy Chief Claims Officer – Property, Onshore Energy, & Financial Lines Department
Mazen Allabadi, Chief Claims Officer – Non-Marine Claims Division
Jugal Madaan, Deputy Chief Underwriting Officer – Property & Onshore Energy Department
Lazhar Charfeddine, Chief Reinsurance Officer
Hammad Khan, Deputy Chief Financial Officer – Investment, Performance Management, and Accounts Receivable Department
Azmi Abu Ramadan, Deputy Chief Financial Officer – Accounts Payable, General Accounting, and Statutory Reporting Department
Attada Venkata Murthy, Deputy Chief Claims Officer – Casualty, Life & Engineering Department

Front Row – From left to right

Hema Padmanabhan, Deputy Chief Underwriting Officer – Engineering & Construction Department
Srinivasan Vaidyanathan, Deputy Chief Underwriting Officer – Liabilities & Financial Lines Department
Tariq Zietoun, Chief Underwriting Officer – Non-Marine Division – Property, Onshore Energy, Medical, Life, & Motor
Islam Siddique, Chief Claims Officer – Marine, Aviation, & Offshore Energy Claims Division
K.E. Thomas, Deputy Chief Claims Officer – Marine, Aviation, & Offshore Energy Claims Division
Mohanan Painatt, Chief Underwriting Officer – Marine, Aviation, & Offshore Energy Division

From Left to right

Bassam Jbeili, Al Ain Branch Manager
Mohammed Al Baytam, Sharjah Branch Manager
Farouk Abdul Kader, Dubai & Northern Emirates Executive Manager
Suresh Gunathilaka, Dubai (Shaikh Zayed Road) Branch Manager

About Us

Abu Dhabi National Insurance Company (ADNIC), a public shareholding company incorporated in Abu Dhabi – the United Arab Emirates in 1972, is a composite insurance company offering all lines of insurance.

Since its inception, ADNIC has endeavored to be the leading and prominent provider of quality and affordable insurance products and services in the United Arab Emirates, as well as a leading provider of risk underwriting solutions across the Middle East and North Africa (MENA) region. Today, ADNIC has established itself to be known for being Your Reliable Insurer of choice.

With the Company's existence for several years in the market, ADNIC has witnessed continuous, unabated growth in all insurance segments with strong financial results and balance sheet that consistently ranks us as one of the best in the industry. Our strong financial backbone – supported by strong reinsurance protection – enables us to keep our short-term and long-term commitments to our clients and partners. Moreover, with our team of experienced insurance professionals, the sophisticated needs of our diverse clients are continuously satisfied.

While ADNIC consistently delivers outstanding results, its dedicated product development committee is responsible for creating new and innovative products. Driven by continuous investment in innovative technology and market intelligence, ADNIC develops products that are customized to its clients' needs.

Our Vision

To be the leading insurer of choice across the Middle East and North Africa region.

Our Mission

To serve our customers by offering them regional, alternative, and international insurance solutions to protect their quality of life and help them excel in their business endeavors.

Our Core Values

At ADNIC, we pride ourselves in continuously operating in line with our corporate core values when we interact with our shareholders, partners, clients, and employees. These values are integral to the way we do business and communicate with our stakeholders.

Our Strategic Pillars

At the foundation of our business strategy lies seven strategic pillars, which help us maintain our commitment to be your reliable insurer of choice.

Customer Service
to ensure that each interaction with you is effective.

Distribution
of our products and services wherever you are.

Employer of Choice
within the insurance industry.

Expansion
of our suite of products and services.

Innovation & Technology
to ensure solutions are offered efficiently.

Modernization
of our processes, facilities, and infrastructure.

Product Development
to ensure solutions are created to address your evolving business needs.

Our Global Recognition

Receiving global awards and recognitions is yet another acknowledgement of ADNIC's stability, evolution and high standards. Each year ADNIC proves its financial strength and stability receiving global recognitions from prestigious entities such as Standard & Poor's (S&P), A.M. Best and the World Finance Magazine.

Financial Strength Rating

Standard and Poor's (S&P)

In 2010, S&P reaffirmed our rating of "A-" (Strong) while upgrading our outlook from stable to positive.

A.M. Best

In 2010, A.M. Best awarded us a rating of "A" (Excellent) and an Issuer Credit Rating (ICR) of "A" with an outlook of both on stable.

Global Awards

World Finance Magazine

- 2009 Middle East Insurance Company of the Year
- 2010 Middle East Insurance Company of the Year

Our Expanding Partnerships

ADNIC always seeks to expand business through establishing fruitful partnerships with strong national and international companies where the return of these partnerships would benefit and add value to our shareholders and customers.

We expanded our commercial insurance business across the Middle East and North Africa by establishing Underwriting Risk Services (Middle East) Ltd. (URSME), which is a managing general agency based at the Dubai International Financial Centre (DIFC) in Dubai by having a joint venture with Talbot Underwriting Ltd.

Moreover, our co-branding partnership with Vanbreda International NV gave us an edge to create a unique international medical insurance product, SHIFA, which provides our customers with seamless medical and healthcare coverage across the globe.

Our Financial Strength

Operating from UAE since 1972, we hold a strong competitive position among listed companies with a market share of 16%. We also have the benefit of a strong capitalization of AED 375,000,000.

Our financial strength and commitment to long-term relationships with our clients offered us the opportunity to lead most of the UAE's mega development projects, while still being able to offer viable solutions to the Small-Medium Enterprises (SMEs) and individual clients.

Our Corporate Governance

ADNIC acknowledges its responsibilities to its shareholders, employees, partners, and customers in the UAE. ADNIC also believes that good corporate governance helps to achieve management commitment to delivering value to shareholders through the setting of and achieving, appropriate strategic business objectives. As being agreed across the UAE and GCC, good governance provides an appropriate framework for the board, its committees, and the leadership of ADNIC to proactively and efficiently represent the interests of the company.

ADNIC maintains high levels of transparency and accountability throughout its management practices. We believe we have this sacred responsibility to our shareholders and the community collectively. To this end, ADNIC implements and monitors its business objectives and strategies, and procedures that comply with its legal and ethical responsibilities. This is how we embed good corporate governance principles and practices into the way we work.

The board has established three permanent Board-Level Committees to assist in executing its functions, bestowed them with powers, and entrusted them with responsibilities to implement resolutions of the board:

- **Audit Committee:**

  Sheikh Dheyab Bin Tahnoun Al Nahyan - Chairman
  Khalifa Sultan Ahmed El Suwaidi - Member
  Omar Liaqat - Member
  Azmi Abu Ramadan - Committee Secretary

- **Compensation & Nomination Committee:**

  Sheikh Mohammed Bin Saif Al Nahyan - Chairman
  HE Ahmed Al Sayegh - Member
  Mohammed Abdul Aziz Rubaiya Al Muhairy - Member
  Abdulla Bin Khalaf Al Otaiba - Member

- **Investment Committee:**
  HE Khalifa Mohammed Al Kindi - Chairman
  Sultan Bin Rashid - Member
  Abdulla Bin Khalaf - Member
  David Beau - Member
  Walid Sidani - Member
  Hammad Khan - Member
  Esmat Taha - Committee Secretary

ADNIC has also established three permanent Executive-Level Committees to assist in the execution of its functions; thus, we bestowed them with powers and entrusted them with responsibilities to assist ADNIC in making informed decisions and achieve its strategic objectives.

Risk Management Committee

The Risk Management Committee (RMC) was established to assist the senior management of ADNIC, make more informed decisions concerned with risk, and the discharge of the Chief Executive's corporate governance responsibilities. The RMC has direct management responsibility for issues related to risk management, fraud control, and business continuity management related matters in addition to other responsibilities.

The Risk Management Committee has been empowered to:

- Develop an organizational culture that is risk aware and thus intuitively manages its risks
- Engender an enterprise wide approach to risk management that provides a comprehensive and appropriately tailored response to all identified risks across the insurance cycle and related activities; and
- Provide assurance that risk management is integral to the successful operation of ADNIC in the achievement of its strategic objectives

The RMC consists of senior management representatives from across varying departments of ADNIC with an understanding of risk management and its role within ADNIC and the insurance industry. The RMC is chaired by ADNIC's Chief Executive Officer and is administered by the risk management department.

ADNIC*ity* Life Committee

ADNIC's workplace is characterized by continuous change and growing diversity. Business success and employee satisfaction depends on our capacity to manage this change and engage within this diversity. Thus, work-life balance arrangements are an important element in meeting this challenge.

ADNIC*ity* Life Committee is an approach to employee relations that recognizes the business as well as the social and personal benefits of balancing work with the other dimensions of life, plus having initiatives to launch various social and health awareness programs to ensure that we are the Employer of Choice. ADNIC*ity* consists of 14 volunteers from different backgrounds, skills, and capabilities derived from various departments within ADNIC, who are ready and have the ability to listen to ADNIC employees anytime and anywhere.

ADNIC Product Innovation Committee

The ADNIC Product Innovation Committee (APIC) provides a formal forum comprising a cross-section of ADNIC professionals, who are tasked with accomplishing the following key functions:

- Exploring and proposing new insurance products to be developed
- Gathering market intelligence on competitive products and trends
- Analyzing and proposing new enhancements (riders) and special offerings for our existing products; and
- Ensuring that products developed by ADNIC are in line with best practices relating to a formal product development lifecycle

The Committee is chaired by the Chief Distribution Officer and has its own SMART objectives. Recently, the Committee redefined and updated the product development process for ADNIC, which will be followed for all future product development within the Company.

Our belief in transparency and our drive for continuous improvement in corporate governance has empowered the company to produce a Corporate Governance report that was published for the year 2010.

Our Corporate Commitment to the Community

Our corporate philosophy embraces a commitment to improving the quality of life in the community. At ADNIC, we always seek to play a vital role as a major employer and significant contributor to local charities.

During 2010, we contributed and participated in several community events across the UAE through lending our support, facilities and staff.

- **Blood Drive**
- **Terry Fox Run Against Cancer**

Blood Drive

Terry Fox Run Against Cancer

Our Social Activities - Balancing Work and Social Life

ADNIC recognizes the importance of balancing work with social life activities. Therefore, we have established a committee, ADNIC*ity* Life Committee, which seeks to balance our employees' work and social life by engaging them and their families in social activities.

ADNIC*ity* Life Committee is an approach to employee relations that helps us in our continuous strive to be the Employer of Choice in the insurance industry.

- **Annual Family Day**
- **Annual Ramadan Iftar**
- **ADNIC Health Day**
- **Weekly Football Matches**
- **Cricket Team**

Annual Family Day

Annual Ramadan Iftar

ADNIC Health Day

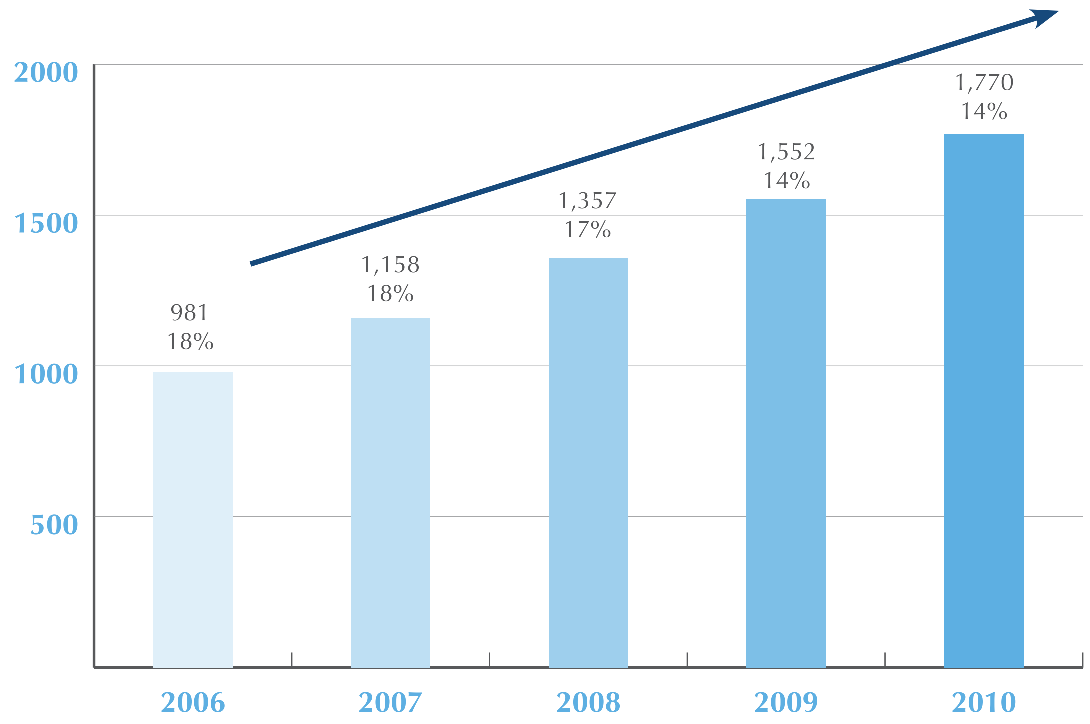
Weekly Football Matches

Cricket Team

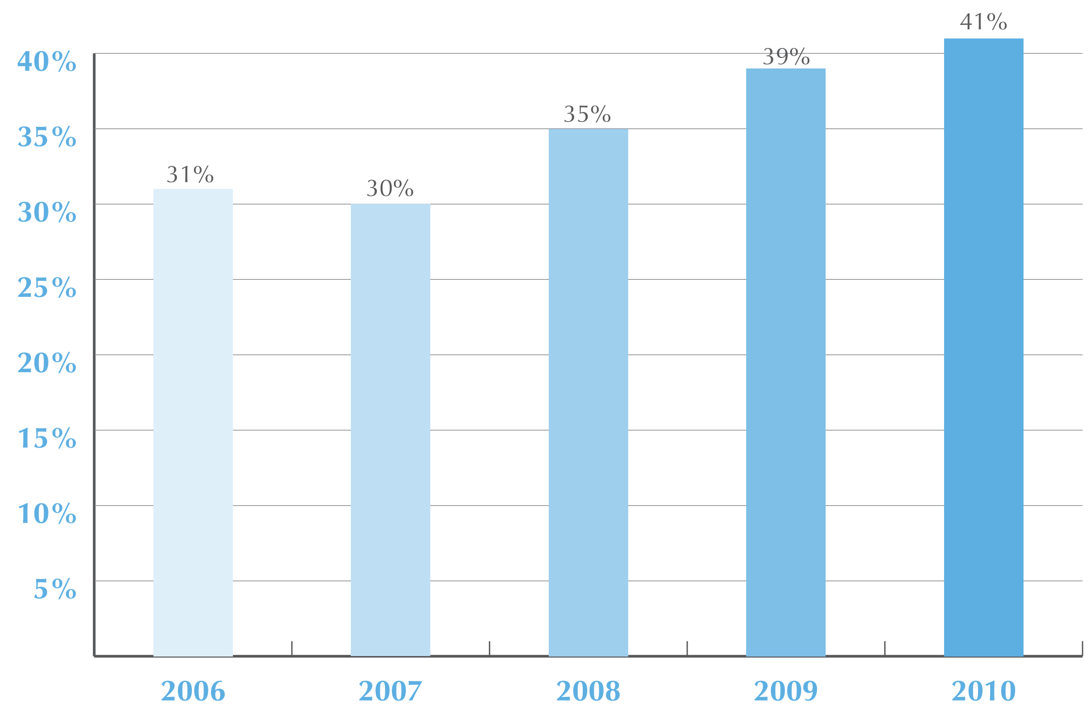
Financial Report

Taking success to new heights

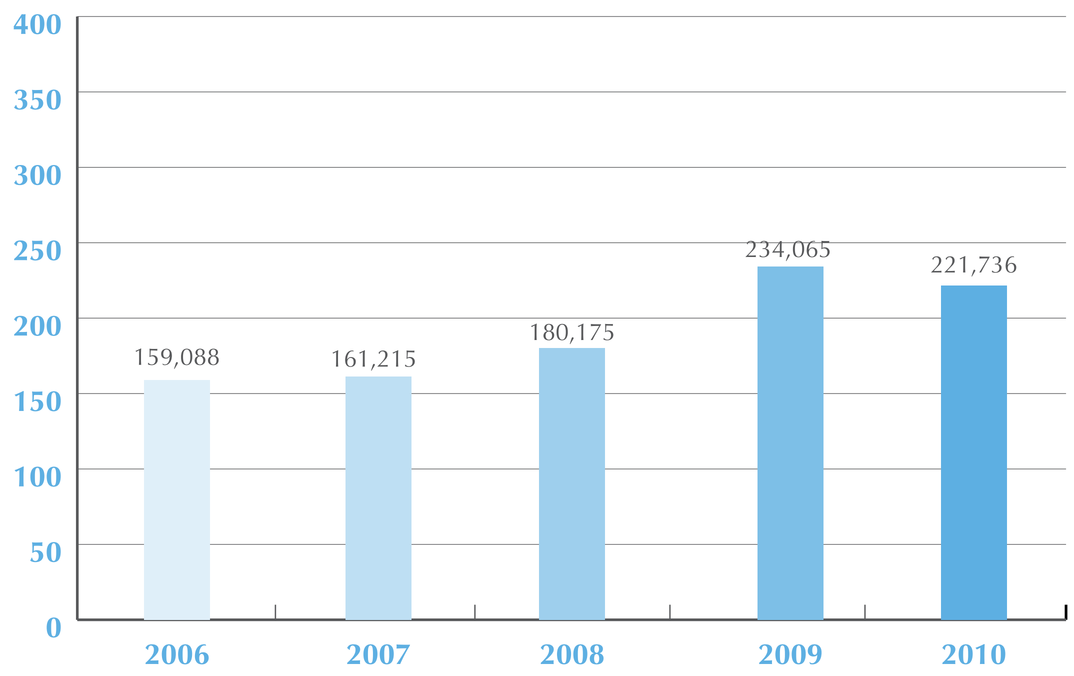
Premium Revenue Growth (AEDm)



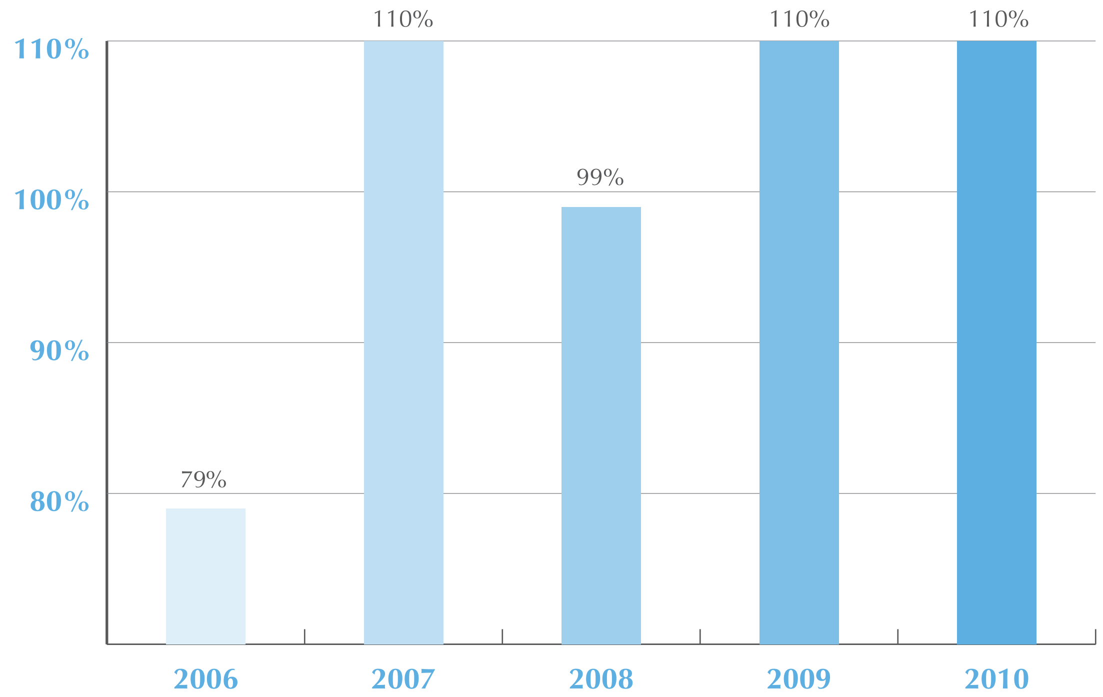
Retention Ratio



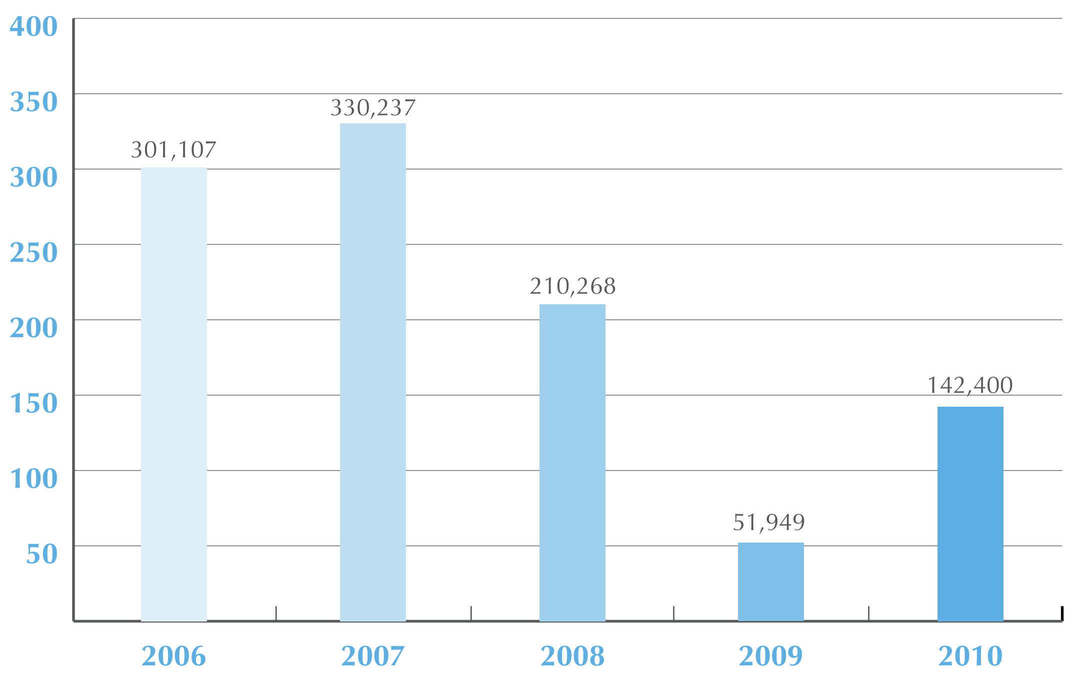
Net Underwriting Income (AED '000s)



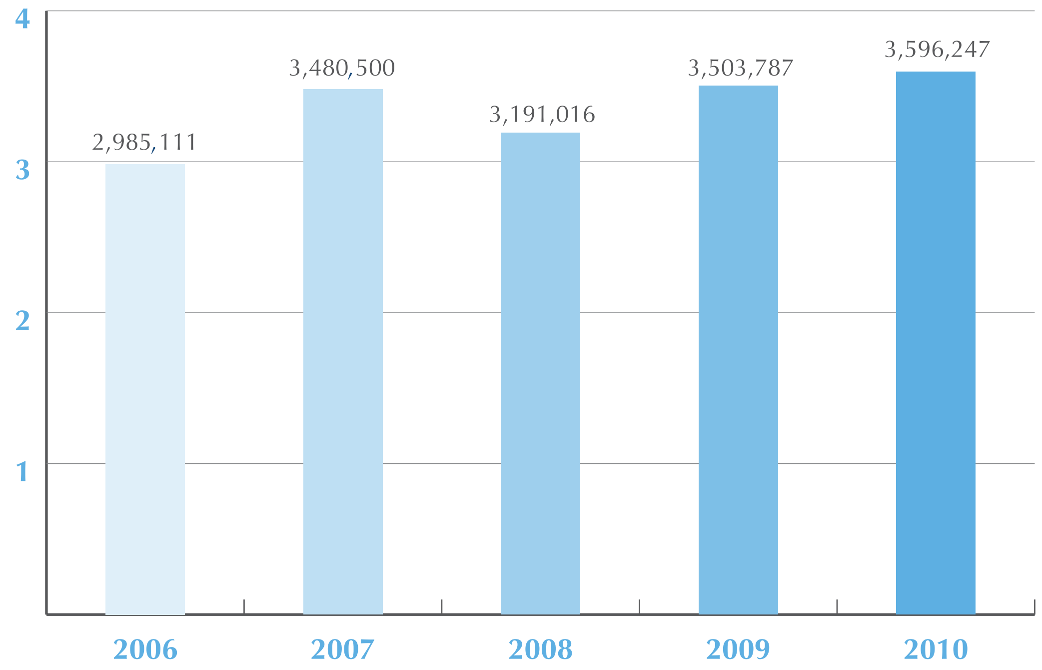
Liquidity Position (on Gross Basis)



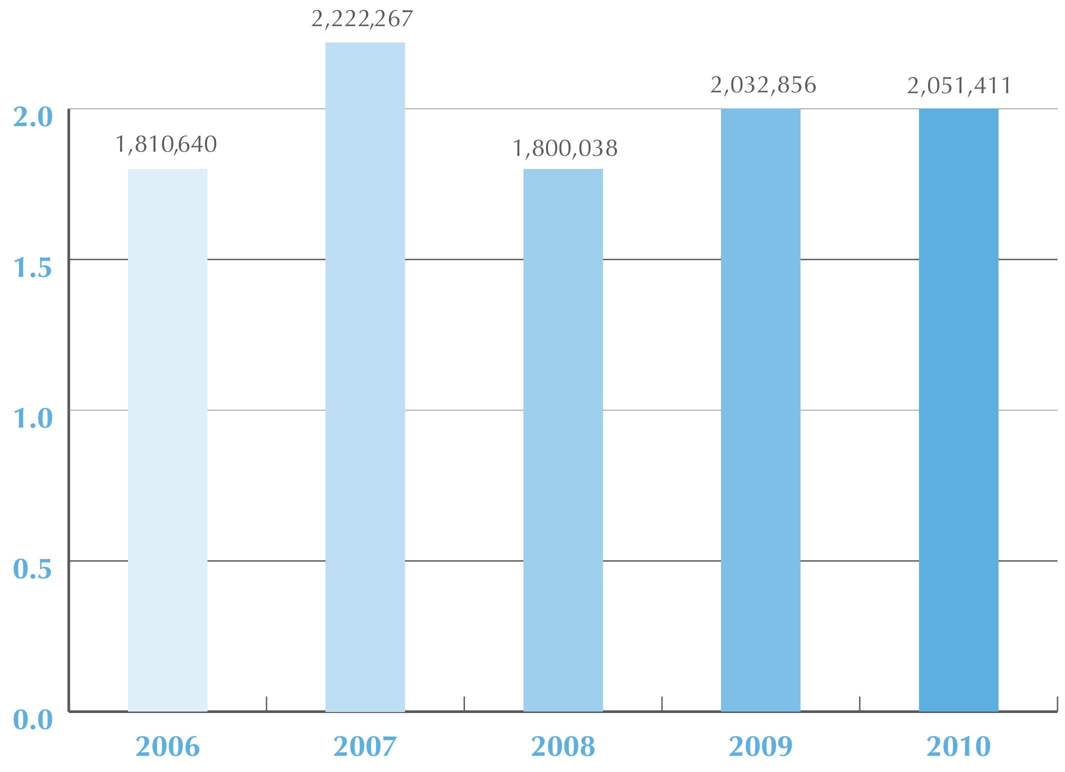
Net Profit (AED '000s)



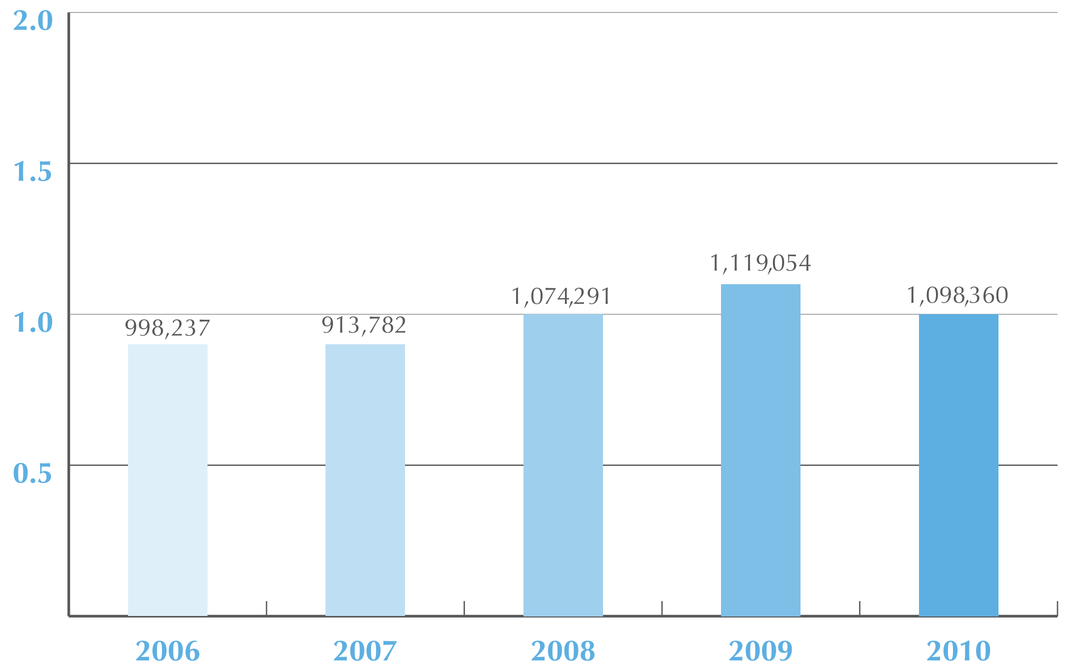
Total Assets (AED '000s)



Total Equity (AED '000s)



Gross Technical reserves (AED '000s)



Business Report
For the year ended 31 December 2010

Overall view

- The gross premium for all branches of insurance increased to AED 1,770,197,000 for this year against AED 1,551,541,000 for 2009
- The total paid claims for all branches of insurance amounted to AED 838,171,000 for this year from AED 599,453,000 for 2009
- The provision for unexpired risks on retained premiums amounted to AED 292,969,000 for this year from AED 247,999,000 for 2009
- The total general and administrative expenses amounted to AED 145,966,000 for this year from AED 94,570,000 for 2009
- The investment and other income increased to AED 66,630,000 for this year against an investment loss of AED 87,546,000 for 2009
- The net profit achieved by the Company increased to AED 142,400,000 for this year against AED 51,949,000 for 2009
- The total assets of the Company increased to AED 3,596,247,000 for this year against AED 3,503,787,000 for 2009

After this brief presentation, we give hereafter a more detailed review of the operations in various insurance branches.

Fire and accident insurance

- The gross premium increased to AED 1,315,372,000 for this year against AED 1,148,652,000 for 2009
- The net claims incurred amounted to AED 477,574,000 for this year from AED 346,239,000 for 2009
- The provision for unexpired risks on retained premiums amounted to AED 281,298,000 for this year from AED 241,110,000 for 2009
- The department achieved a net underwriting income of AED 181,950,000 for this year against AED 206,513,000 for 2009

Marine and aviation insurance

- The gross premium increased to AED 454,825,000 for this year from AED 402,889,000 for 2009
- The net claims incurred amounted to AED 18,395,000 for this year from AED 10,206,000 for 2009
- The provision for unexpired risks on retained premiums amounted to AED 11,671,000 for this year from AED 6,889,000 for 2009
- The department achieved a net underwriting income of AED 39,786,000 for this year against AED 27,552,000 for 2009

Proposals to shareholders
for the year ended 31 December 2010

The Board of Directors, after the review of the Group's operations during the year 2010, proposes the following to the shareholders for their approval:

Ordinary general assembly

1) To approve the Board of Directors' and Business reports about the Group's operations and its financial position and to approve auditor's report for the year ended 31 December 2010.

2) To approve the consolidated financial statements for the year ended 31 December 2010.

3) To approve the Board of Directors' proposal to appropriate retained profit which amounted to AED 279,406,000 after the transfer of AED 11,278,000 from the current year net profit to the legal reserve and adding the opening retained earnings as follows:

	AED
• The proposed cash dividends to the shareholders being 35% of the nominal value per share	131,250,000
• Proposed Board of Directors' remuneration	6,400,000
• Retained earnings carried forward	141,756,000
Total	279,406,000

4) To relieve the Directors and the External Auditor from responsibilities for action in performing their duties during the financial year ended 31 December 2010.

5) To appoint the External Auditor for 2011 and to define the audit fees.

Independent auditors' report

The Shareholders
Abu Dhabi National Insurance Company PSC

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Abu Dhabi National Insurance Company PSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income (comprising statement of comprehensive income and a separate income statement), changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated 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 these consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Articles of Association of the Group and the UAE Federal Law No. (8) of 1984 (as amended).

Report on other legal and regulatory requirements
As required by the UAE Federal Law No. (8) of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been maintained by the Group and that the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the abovementioned Law and the Articles of Association having occurred during the year ended 31 December 2010 which may have had a material adverse effect on the business of the Group or its financial position.

Munther Dajani
22 February 2011
Registration No. 268

Consolidated statement of financial position
as at 31 December 2010

	Note	2010 AED '000	2009 AED '000
Assets			
Property and equipment	7	**34,850**	9,486
Investment properties	8	**393,500**	416,800
Investments	9	**593,720**	544,185
Statutory deposit	10	**10,000**	10,000
Reinsurance contract assets	11	**669,482**	762,931
Trade and other receivables	12	**682,719**	529,445
Cash and bank	24	**1,211,976**	1,230,940
Total assets		**3,596,247**	3,503,787
Equity and liabilities			
Equity			
Share capital	13	**375,000**	375,000
Legal reserve	14	**187,500**	176,222
General reserve	15	**1,200,000**	1,200,000
Investments revaluation reserve		**9,505**	37,340
Retained earnings	16	**279,406**	244,294
Total equity		**2,051,411**	2,032,856
Liabilities			
Provision for staff terminal benefits	17	**26,778**	26,220
Insurance contract liabilities	11	**1,098,360**	1,119,054
Loans from financial institutions	18	**36,730**	-
Trade and other payables	19	**382,968**	325,657
Total liabilities		**1,544,836**	1,470,931
Total equity and liabilities		**3,596,247**	3,503,787

The consolidated financial statement were approved by Board of Directors and signed on their behalf by Chairman of the Board of Directors and Chief Executive Officer on 22 February 2011.

Chairman of the Board of Directors

Chief Executive Officer

The notes 1 to 27 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 34.

Consolidated statement of income
the year ended 31 December 2010

	Note	2010 AED'000	2009 AED'000
Underwriting revenue			
Gross written premium		**1,770,197**	1,551,541
Change in unearned premium provision		**(92,153)**	(93,947)
Premium income earned		**1,678,044**	1,457,594
Reinsurance premium ceded		**(1,042,599)**	(940,046)
Change in deferred reinsurance premium		**47,183**	27,929
Reinsurance premium ceded		**(995,416)**	(912,117)
Net premium earned		**682,628**	545,477
Underwriting expenses			
Gross claims paid		**(838,171)**	(599,453)
Change in outstanding claims provision		**112,847**	49,184
Gross claims incurred		**(725,324)**	(550,269)
Reinsurance share of claims paid		**369,987**	248,078
Change in reinsurance share of outstanding claims		**(140,632)**	(54,254)
Reinsurance share of claims incurred		**229,355**	193,824
Net claims incurred		**(495,969)**	(356,445)
Commissions			
Reinsurance commission income		**109,543**	75,044
Less: commission expenses		**(72,780)**	(35,905)
Net commission income earned		**36,763**	39,139
Other income related to underwriting activities		**9,983**	12,297
Other expenses related to underwriting activities		**(11,669)**	(6,403)
Net other underwriting (expenses)/income		**(1,686)**	5,894
Net underwriting income		**221,736**	234,065
Net investment and other income/(expenses)	20	**66,630**	(87,546)
General and administrative expenses	21	**(145,966)**	(94,570)
Net profit for the year		**142,400**	51,949
Basic and diluted earnings per ordinary share (AED)	22	**0.38**	0.14

The notes 1 to 27 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 34.

Consolidated statement of comprehensive income
for the year ended 31 December 2010

	2010 AED'000	2009 AED'000
Comprehensive income for the year		
Net profit for the year	**142,400**	51,949
Other comprehensive income:		
Impairment on available-for-sale securities taken to income statement	**-**	307,723
Effect of change in fair value of available-for-sale investments	**-**	65,846
Effect of change in fair value of investments through OCI	**(25,495)**	-
Directors' remuneration	**(4,600)**	(5,200)
Total other comprehensive income	**(30,095)**	368,369
Total comprehensive income for the year	**112,305**	420,318
Net profit for the year attributable to:		
Equity holders of the Company	**142,400**	51,949
Non-controlling interest	**-**	-
	142,400	51,949
Total comprehensive income attributable to:		
Equity holders of the Company	**112,305**	420,318
Non-controlling interest	**-**	-
	112,305	420,318

The notes 1 to 27 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 34.

Consolidated statement of changes in equity
for the year ended 31 December 2010

	Share capital AED'000	Legal reserve AED'000	General reserve AED'000	Investments revaluation reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2009	375,000	171,027	1,200,000	(336,229)	390,240	1,800,038
Comprehensive income for the year						
Net profit for the year	-	-	-	-	51,949	51,949
Other comprehensive income for the year:						
Impairment on investments taken to profit and loss	-	-	-	307,723	-	307,723
Change in fair value for available-for-sale investments	-	-	-	65,846	-	65,846
Directors' remuneration	-	-	-	-	(5,200)	(5,200)
Total other comprehensive income for the year	-	-	-	373,569	(5,200)	368,369
Total comprehensive income for the year	-	-	-	373,569	46,749	420,318
Transactions with owners, recorded directly in equity						
Transfer to legal reserve	-	5,195	-	-	(5,195)	-
Dividend paid	-	-	-	-	(187,500)	(187,500)
Balance at 31 December 2009	**375,000**	**176,222**	**1,200,000**	**37,340**	**244,294**	**2,032,856**
Balance at 1 January 2010	**375,000**	**176,222**	**1,200,000**	**37,340**	**244,294**	**2,032,856**
Comprehensive income for the year						
Net profit for the year	-	-	-	-	142,400	142,400
Other comprehensive income for the year:						
Revaluation reserve transferred to retained earnings	-	-	-	(2,340)	2,340	-
Change in fair value for investments	-	-	-	(25,495)	-	(25,495)
Directors' remuneration	-	-	-	-	(4,600)	(4,600)
Total other comprehensive income for the year	-	-	-	(27,835)	(2,260)	(30,095)
Total comprehensive income for the year	-	-	-	(27,835)	140,140	112,305
Transactions with owners, recorded directly in equity						
Transfer to legal reserve	-	11,278	-	-	(11,278)	-
Dividend paid	-	-	-	-	(93,750)	(93,750)
Balance at 31 December 2010	**375,000**	**187,500**	**1,200,000**	**9,505**	**279,406**	**2,051,411**

The notes 1 to 27 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 34.

Consolidated statement of cash flows
for the year ended 31 December 2010

	Note	2010 AED'000	2009 AED'000
Operating activities			
Net profit for the year		**142,400**	51,949
Adjustments for:			
Depreciation expense	*7*	**4,241**	3,122
Impairment on available-for-sale securities		**-**	307,723
Directors' remuneration		**(4,600)**	(5,200)
Transfer from revaluation reserve to equity		**2,340**	-
Impairment loss on trade receivable		**10,111**	80
Net increase on revaluation of investment property	*8*	**23,300**	(39,500)
Unrealized gain on held-for-trading investment		**1,620**	4,397
End of service benefits charge		**10,261**	2,127
Cash flows from operating activities before movements in working capital		**189,673**	324,698
Change in reinsurance contract assets		**93,449**	26,325
Change in trade and other receivables		**(163,385)**	(150,860)
Change in insurance contract liabilities		**(20,694)**	44,763
Change in trade and other payables		**57,311**	34,585
Cash generated from operations		**(33,319)**	(45,187)
End of service benefits paid		**(9,703)**	(1,522)
Net cash generated from operating activities		**146,651**	277,989
Investing activities			
Disposals of held-for-trading investments		**23,208**	14,756
Increase in bank deposits		**(22,450)**	(212,138)
Statutory deposit		**-**	(2,500)
Proceeds from disposal of property and equipment		**206**	427
Net change in available-for-sale investments		**(100,012)**	102,316
Purchase of held-for-trading investments		**-**	(26,519)
Investment made in joint venture		**(2,186)**	(18)
Purchase of property and equipment	*7*	**(29,811)**	(6,405)
Net cash used in investing activities		**(131,045)**	(130,081)
Financing activities			
Loans from financial institutions		**36,730**	-
Dividend paid		**(93,750)**	(187,500)
Net cash used in financing activities		**(57,020)**	(187,500)
Net decrease in cash and cash equivalents		**(41,414)**	(39,592)
Cash and cash equivalents at the beginning of the year		**236,157**	275,749
Cash and cash equivalents at the end of year	*24*	**194,743**	236,157

The notes 1 to 27 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 34.

Notes to the consolidated financial statements

1. Legal status and principal activities

Abu Dhabi National Insurance Company P.S.C. (the "Company") is a public shareholding company incorporated in Abu Dhabi, United Arab Emirates, by Law No. (4) of 1972 as amended by Law No. (4) of 1974, and is governed by the provisions of the United Arab Emirates (UAE) Federal Insurance Companies and Insurance Agents Law No. (9) of 1984 (as amended).

The Group's principal activity is the transaction of insurance and reinsurance business of all classes.

The registered office of the Group is Khalifa Street, ADNIC Building, P O Box 839, Abu Dhabi, UAE.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and applicable requirements of UAE Law.

(b) Basis of measurement

The consolidated financial statements are prepared under the historical cost basis except for the following:

- Financial instruments held at amortised cost are measured at amortised cost;
- Financial instruments at fair value through profit and loss are measured at fair value;
- Financial instruments at fair value through other comprehensive income are measured at fair value; and
- Investment properties are measured at fair value

The method used to fair value is discussed in note 3(b) and 6.

(c) Functional and presentation currency

These consolidated financial statements are presented in UAE Dirhams (AED), which is the Group's functional currency. Except as indicated, financial information presented in AED has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in note 5.

Notes to the consolidated financial statements (continued)

2. Basis of preparation (continued)

(e) Change in accounting policies

Financial Instruments

The Group has adopted IFRS 9 *Financial Instruments* (IFRS 9) during the year in advance of its effective date. The Group has chosen 31 December 2010 as its date of initial application (i.e. the date on which the Group has assessed its existing financial assets).

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 measured either at amortized cost or fair value.

Debt instruments are measured at amortized 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").

Only financial assets that are classified as measured at amortized 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 Group 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 recognized in accordance with IAS 18 Revenue, are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

The directors have reviewed and assessed all of the Group's existing financial assets as at 31 December 2010 which is the date of initial application of IFRS 9. As a result:

- The Group's investments in debt instruments meeting the required criteria are measured at amortized cost;
- Most of the Group's equity investments not held-for-trading have been designated as at FVTOCI; and
- The Group's remaining investments in equity investments and debt instruments are measured at FVTPL

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

- Bonds that were previously measured at fair value and classified as available-for-sale have been reclassified to amortized cost;
- 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

Notes to the consolidated financial statements (continued)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except the as mentioned in note 2(e).

(a) Basis of consolidation

(i) *Subsidiaries*
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidated financial statements of the Group comprise the Company and its fully owned subsidiary Abu Dhabi National Insurance Company (Services) Ltd. which is registered in the United Kingdom and does not carry any insurance or reinsurance business.

(ii) *Jointly Controlled Entities (equity accounted investees)*
Jointly Controlled Entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly Controlled Entities are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) *Transactions eliminated on consolidation*
Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Financial assets and liabilities

(i) *Recognition*
The Group initially recognizes deposits and debt securities issued on the date that they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets designated at fair value through profit and loss) are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

(ii) *Derecognition*
The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in (i) income statement, for securities held at amortized cost or FVTPL, or (ii) other comprehensive income, for investments at FVTOCI. At the time of derecognition of FVTOCI investment any revaluation reserve is transferred to equity though other comprehensive income statement.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

The Group also derecognizes certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(iii) *Designation at amortized cost*
Debt instruments are classified as investments at amortized 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.

These instruments are initially recognized at cost and subsequently measured at amortized cost, calculated using the effective interest rate.

(iv) *Designation as fair value through OCI ("FVTOCI")*
The Group has classified equity shares at fair value through other comprehensive income ("FVTOCI") where these investments are not held for selling in near future.

These equity investments are initially recognized and subsequently measured at fair value in the consolidated statement of financial position. All changes in fair value are recognized in equity through other comprehensive income.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

(v) *Fair value through profit and loss*
Fair value through profit and loss include trading assets that the Group acquires for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit taking.

Trading assets are initially recognized and subsequently measured at fair value in the consolidated statement of financial position with transaction costs taken directly to the consolidated income statement. All changes in fair value are recognized as part of net trading income in the consolidated income statement. Trading assets are not reclassified subsequent to their initial recognition.

(vi) *Other financial assets*
Other non-derivative financial assets, such as cash and cash equivalents, insurance and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(vii) *Offsetting*
Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards. Gains and losses arising from a Group of similar transactions are reported on a net basis.

(viii) *Amortized cost measurement*
The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

(ix) *Fair value measurement*

The determination of fair values of financial assets and liabilities is based on quoted market prices or dealer quotations for financial instruments traded in active markets. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

For financial instruments not traded on an active market, fair value is determined based on recent transactions, brokers' quotes or a valuation technique.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

(x) *Identification and measurement of impairment*

At each reporting date the Group assesses whether there is objective evidence that financial assets carried at amortized cost are impaired. A financial asset or a group of financial assets is/(are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment the Group uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on financial assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the original effective interest rate. Impairment losses are recognized in the consolidated income statement and reflected in an allowance account against such financial assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated income statement.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

(xi) Other financial instruments

Other financial liabilities include amounts payable in the future to agents and intermediaries in respect of investment contracts issued by the Group. Payments are made on an annual basis on the anniversary of the inception of a contract if a contract has not been surrendered at that date.

These financial liabilities are measured at fair value on initial recognition. Fair value is determined by discounting the present value of the expected future payments at the discount rate that reflects current market assessment of the time value of money for a liability of equivalent average duration.

Subsequent to initial recognition these financial liabilities are stated at amortized cost using the effective interest method.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

(d) Investments at fair value through profit and loss

These are financial assets classified as held-for-trading or designated as such upon initial recognition. These are initially recognized and subsequently measured at fair value with transaction costs taken directly to the consolidated income statement. All related realized and unrealized gains or losses are included in net investment and other income.

(e) Investments at fair value through other comprehensive income ("FVTOCI")

Equity shares that are kept at fair value through other comprehensive income statement are remeasured at fair value. Unrealized gains or losses are recognized in other comprehensive income, at derecognition the cumulative gain or loss previously recognized in other comprehensive income is directly transferred to equity, any difference between the sales proceed and carrying value is taken to equity through other comprehensive income statement.

For such a financial asset, exchange differences are recognized in the consolidated comprehensive income statement.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(f) Insurance contracts

(i) Classification

The Group issues contracts that transfer either insurance risk or both insurance and financial risks. The Group does not issue contracts that transfer only financial risks.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Group to pay significant additional benefits due to happening of the insured event compared to its non-happening.

Insurance contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

(ii) Recognition and measurement

Premiums
Gross premiums written reflect business incepted during the year, and exclude any fees and other amounts collected with and calculated based on premiums. These are recognized when underwriting process is complete and policies are issued.

The earned proportion of premiums is recognized as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium provision
Unearned premiums are computed based on the percentage of premium written and are equal or higher than the minimum stipulated requirement as per the UAE Federal Law No. (9) of 1984.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(f) Insurance contracts (continued)

(iii) *Claims*
Claims incurred comprise the settlement and the internal and external handling costs for paid claims and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the consolidated financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(iv) *Provision for premium deficiency/liability adequacy test*
Provision is made for premium deficiency arising from insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the consolidated statement of financial position date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions.

(v) *Reinsurance*
The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment at each consolidated statement of financial position date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on reinsurance assets are recognized in statement of income in the period in which they are incurred.

Profit commission in respect of reinsurance contracts is recognized on an accrual basis and reinsurance commission is recognized when right to receive is created.

(vi) *Deferred acquisition cost*
For general insurance contracts, the deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the consolidated statement of financial position date.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(f) Insurance contracts (continued)

(vii) Insurance receivables and payables
Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

(viii)Insurance contract liabilities
Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Group and still unpaid at the consolidated statement of financial position date, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the consolidated statement of financial position date. This provision is made based on rates prescribed by the UAE Insurance Companies Law which are 25% of the premium written on marine cargo and 40% of the premium written on all other classes of general insurance.

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

(ix) Insurance receivables and payables
Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

(g) Property and equipment

(i) Recognition and measurement
All items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent cost
The cost of replacing a part of property and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits within the part will flow to the group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of day-to-day servicing of property and equipment is recognized in the consolidated income statement.

Gains and losses on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognized net within other operating income in the consolidated income statement.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(g) Property and equipment (continued)

(ii) Depreciation
Depreciation is recognized in the consolidated income statement on a straight-line basis over the remaining economic useful lives of all property and equipment. Freehold land and capital work in progress are not depreciated.

The economic useful lives of assets, from the date of manufacture, for the current and comparative period are estimated to be as follows:

	Useful life 2010	Useful life 2009
Building	**15 years**	10 years
Furniture and fixture	**5 years**	4 years
Office equipment	**5 years**	3 - 4 years
Motor vehicles	**5 years**	4 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date. During the year management reassessed the useful life of fixed assets and changed the accounting estimates by increasing the useful life of fixed assets. The impact of such change in accounting estimates is applied prospectively.

(iii) Impairment
The carrying amounts are reviewed at each reporting date for indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized in the consolidated income statement to the extent that carrying values do not exceed the recoverable amounts.

(h) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognized in operating income in the consolidated income statement.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The Group hold investment properties which is discussed in note 8.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(i) Revenue non-insurance

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

Rental income

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

Interest income

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

Dividend income

Dividend income is recognized when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.

Fee and commission income

Fee and commissions received or receivable which do not require the Group to render further service are recognized as revenue by the Group on the effective commencement or renewal dates of the related policies.

Realized and unrealized gain

Net gains/losses on financial assets classified at fair value through profit and loss and realized gains on other financial assets is described in note 3(d) and 3(e).

(j) Foreign currency

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the consolidated statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realized and unrealized exchange gains and losses have been dealt with in the consolidated income statement.

(k) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(l) Leased assets – lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The Group enters into operating leases for their investment properties. Rental income from such operating leases is recognized on a straight-line basis over the term of the relevant lease.

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Staff terminal benefits

UAE Operations:

Defined benefit plan
Provision is made for employee terminal benefits in accordance with the Group's policy, which meets the requirements of the UAE Federal Labour Law applicable to an employee's accumulated period of service at the consolidated statement of financial position date. The management considers that the difference between the liabilities as calculated using an actuarial method would not be materially different from the provision carried in the consolidated financial statements.

Defined contribution plan
The Group pays its obligations regarding UAE citizens into a Social Security and UAE Pension Fund in accordance with the UAE Federal Law No. (7) of 1999 for Pension and Social Security.

Foreign Operations:

The Group provides for staff terminal benefits for its employees based overseas in accordance with the applicable regulations.

(o) Directors' remuneration

In accordance with the Ministry of Economy and Commerce interpretation of Article 118 of Federal Law No. (8) of 1984 (as amended), Directors' remuneration has been treated as an appropriation from equity.

Notes to the consolidated financial statements (continued)

3. Significant accounting policies (continued)

(p) Dividend

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

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's management committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available in note 26.

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements:

- IFRS 7 amendments: Financial instrument disclosure (Improvements) 1 January 2011
- IAS-17: (Amended) Leases (Improvements) 1 January 2011
- IFRIC-19: Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- IAS-24 (Revised): Related Party Disclosures (effective 1 January 2011)
- Amendments to IFRIC 14: The limit on a Defined Benefit Assets, Minimum Funding (effective 1 January 2011) Requirements and their Interaction

The application of these new standards, interpretations and amendments will not have a material impact on the Group's consolidated financial statements in the period of initial application.

Notes to the consolidated financial statements (continued)

4. Risk management

This section summarizes these risks and the way the Group manages them.

(a) Introduction and overview

(i) Overall framework
The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Management recognizes the critical importance of having efficient and effective risk management systems in place.

(ii) Capital management framework
The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

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

The operations of the Group are also subject to regulatory requirements within the UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize (e.g. unearned premium reserve) the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(iv) Asset Liability Management ("ALM")
Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risks that the Group faces due to the nature of its investments and liabilities are interest rate risk and equity price risk. The Group manages these positions within an ALM that has been developed by management to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM also forms an integral part of the insurance risk management framework, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(b) Insurance risk

The Group accepts insurance risk through its written insurance contracts. The Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Group writes the following types of general insurance contracts:

- Liability insurance
- Property insurance
- Motor insurance
- Health insurance

Two key elements of the Group's insurance risk management framework are its underwriting strategy and reinsurance strategy, as discussed below.

Underwriting strategy
The Group's underwriting strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolios outcome.

The underwriting strategy is set out by the Group that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Group is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the portfolio. All general insurance contracts except marine, are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

Medical selection is part of the Group's underwriting procedures, whereby premiums are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

The Group operates a number of oversight committees that monitor aggregate risk data and take overall risk management decisions.

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(b) Insurance risk (continued)

Reinsurance strategy
The reinsurance arrangements include excess and catastrophe coverage. The Group reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

Ceded reinsurance contains credit risk, as discussed in the financial risk management note. The Group has a Reinsurance department that is responsible for setting the minimum security criteria for acceptable reinsurance and monitoring the purchase of reinsurance by the business units against those criteria. The department monitors developments in the reinsurance program and its ongoing adequacy.

The underwriters buy a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Group. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances. All purchases of facultative reinsurance are subject to business unit pre-approval and the total expenditure on facultative reinsurance is monitored regularly by reinsurance department.

The estimated loss ratios are analyzed below by class of business for the current and previous year:

	Year ended 31 December 2010		Year ended 31 December 2009	
Type of risk	**Gross Loss Ratio**	**Net Loss Ratio**	Gross Loss Ratio	Net Loss Ratio
Motor	**74.1%**	**75.4%**	75.9%	81.9%
Non-Motor	**37.3%**	**70.2%**	27.9%	44.7%

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(b) Insurance risk (continued)

Claim development process

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

Motor claims (gross):

	2006 and earlier AED'000	2007 AED'000	2008 AED'000	2009 AED'000	2010 AED'000	Total AED'000
At the end of the reporting year	357,743	130,550	164,941	143,796	104,257	
One year later	390,049	174,891	198,661	219,749		
Two years later	394,195	179,329	210,448			
Three years later	391,712	177,410				
Four years later	393,478					
Current estimate of cumulative claims	393,478	177,410	210,448	219,749	104,257	1,105,342
Cumulative payments to date	(391,384)	(177,498)	(209,258)	(207,232)	(82,915)	(1,068,287)
Liability recognized in the consolidated statement of financial position	**2,094**	**(88)**	**1,190**	**12,517**	**21,342**	**37,055**

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(b) Insurance risk (continued)

Claim development process (continued)

Non-Motor claims (gross):

	2006 and earlier AED'000	2007 AED'000	2008 AED'000	2009 AED'000	2010 AED'000	Total AED'000
At the end of the reporting year	1,004,817	151,051	214,862	211,441	141,377	
One year later	1,308,454	225,380	383,425	490,778		
Two years later	1,360,735	314,730	385,243			
Three years later	1,329,529	327,970				
Four years later	1,225,768					
Current estimate of cumulative claims	1,225,768	327,970	385,243	490,778	141,377	2,571,136
Cumulative payments to date	(1,130,261)	(279,180)	(333,528)	(433,209)	(51,473)	(2,227,651)
Liability recognized in the consolidated statement of financial position	**95,507**	**48,790**	**51,715**	**57,569**	**89,904**	**343,485**

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(b) Insurance risk (continued)

Sensitivity of underwriting profit and losses

The contribution by the insurance operations to the net profit of the Group stood at 100% for the year ended 31 December 2010 (*2009 – 100%*). The Group does not foresee any adverse change in the contribution of insurance profit due to the following reasons:

The Group has an overall risk retention level in the region of 41% (*2009 – 39%*) and this is mainly due to low retention levels in Engineering and Fire and Accident lines. However, for other lines of business the Group is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Group has net commission earnings of around *15% (2009 – 19%)* of the net underwriting income predominantly from the reinsurance placement which remains as a comfortable source of income.

Concentration of insurance risk

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

To minimize its exposure to significant losses from reinsurer insolvencies, the Group 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 Group from its obligations to policyholders. The Group 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 as at 31 December 2010 was as follows:

	Marine and aviation		**Non-marine**		**Total sum insured**	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
UAE	**158,107,277**	**3,333,850**	**224,773,635**	**43,587,198**	**382,880,912**	**46,921,048**
GCC countries	**12,195,174**	**234,310**	**11,080,648**	**417,239**	**23,275,822**	**651,549**
Others	**4,398,327**	**109,768**	**11,087,678**	**777,515**	**15,486,005**	**887,283**
	174,700,778	**3,677,928**	**246,941,961**	**44,781,952**	**421,642,739**	**48,459,880**

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(b) Insurance risk (continued)

Concentration of insurance risk (continued)

The concentration of insurance risk as at 31 December 2009 was as follows:

	Marine and aviation		Non-marine		Total sum insured	
	Gross	Net	Gross	Net	Gross	Net
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
UAE	108,246,664	2,651,794	177,564,904	32,571,997	285,811,568	35,223,791
GCC countries	31,557,197	164,637	5,503,266	206,952	37,060,463	371,589
Others	3,341,031	2,005	11,259,927	994,833	14,600,958	996,838
	143,144,892	2,818,436	194,328,097	33,773,782	337,472,989	36,592,218

(c) Financial risk

The group has exposure to the following risk from financial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risks
(iv) Operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(c) Financial risk (continued)

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk:

Maximum exposure:

	2010	2009
	AED'000	AED'000
Investments at amortized cost	**105,282**	-
Debt securities – available-for-sale investments	**-**	10,446
Statutory deposit	**10,000**	10,000
Reinsurance contract assets	**669,482**	762,931
Trade and other receivables	**682,719**	529,445
Cash and bank	**1,211,976**	1,230,940
Maximum exposure	**2,679,459**	2,543,762

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(c) Financial risk (continued)

(i) Credit risk *(continued)*

Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

For all classes of financial assets held by the Group, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the consolidated statement of financial position date.

Reinsurance is placed with reinsurers approved by the management, which are generally international reputed companies.

To minimize its exposure to significant losses from reinsurer insolvencies, the Group 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.

Management of credit risk

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group'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 management annually.

The credit risk on liquid funds maintained with banks is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies or reputable local banks closely monitored by the regulatory body.

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

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment if required.

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities.

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

Management of liquidity risk
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Details of the Group's financial liabilities are summarized in the table below by the maturity profile of the Group's assets and liabilities based on the contractual repayment arrangements. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

	Carrying amount AED'000	0 to 180 days AED'000	181 to 365 days AED'000
Financial liabilities at 31 December 2010			
Insurance contract liabilities	**1,098,360**	**-**	**1,098,360**
Loans from financial institutions	**36,730**	**-**	**36,730**
Trade and other payables	**382,968**	**382,968**	**-**
Total	**1,518,058**	**382,968**	**1,135,090**
Financial liabilities at 31 December 2009			
Insurance contract liabilities	1,119,054	-	1,119,054
Loans from financial institutions	-	-	-
Trade and other payables	325,657	325,657	-
Total	1,444,711	325,657	1,119,054

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(iii) Market price risk

Market 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 Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and debt markets. In addition, the Group actively monitors the key factors that affect market movements, including analysis of the operational and financial performance of investees.

Management of market risks
The Group is exposed to market price risk with respect to its quoted investments and investment properties.

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Group actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

Interest rate risk
Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Group manages this risk principally through monitoring interest rate gaps and by matching the re-pricing profile of assets and liabilities.

The substantial portion of the Group's assets and liabilities are re-priced within one year. Accordingly, interest rate risk is limited to that extent.

The effective interest rate of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is an original effective interest rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating instrument or an instrument carried at fair value.

Sensitivity analysis

At the consolidated statement of financial position date if the interest rates are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Group's net profit would have increased/decreased by AED 5,131,249 *(2009 – increase/decrease by AED 6,348,543).*

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(iii) Market price risk (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the UAE Dirham.

The Group has considerable exposures denominated in US Dollar, the AED Dirham which is pegged to the US Dollar since November 1980 and accordingly, the Group's exposure to currency risk is limited to that extent.

Equity price risk

Equity price risk arises from the change in fair value of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

Sensitivity analysis

At the consolidated statement of financial position date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Group's:

For investments held at fair value through profit or loss:
- Net profit would have increased/decreased by AED 3,213,934 (2009 – increase/decrease by AED 5,236,985)

For investments held at fair value through other comprehensive income:
- Changes in revaluation reserves of shares would increase/decrease by AED 56,158,151 (2009- increase/decrease by AED 49,181,537) as a result of the changes in fair value of quoted shares

(iv) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, human error, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Notes to the consolidated financial statements (continued)

4. Risk management (continued)

(iv) Operational risks (continued)

The Board has oversight responsibilities for operational risk management in the Group. These responsibilities are exercised through Risk Management committee with an established framework of policies and procedures to identify, assess, monitor, control, manage and report risks. The Risk Management Committee employs clear internal policies and procedures to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance. The framework also provides the interrelation with other risk categories.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Audit and Compliance Division. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

(d) Capital risk management

The Group's objectives when managing capital is to comply with the insurance capital requirements required by UAE Federal Law No. (9) of 1984, as amended, concerning Insurance Companies and Agents.

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Group 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 Group is subject to local insurance solvency regulations with which it has complied with during the year. The Group has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

The table below summarizes the minimum regulatory capital of the Group and the total capital held.

	2010 AED'000	2009 AED'000
Total capital held	**375,000**	375,000
Minimum regulatory capital	**100,000**	100,000

Notes to the consolidated financial statements (continued)

5. Use of estimates and judgments

In the process of applying the Group's accounting policies, management has made the following estimates and judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Key sources of estimation uncertainty
The areas of the Group's business containing key sources of estimation uncertainty include the measurement of insurance contract provisions and the determination of the fair values of financial instruments.

Critical accounting judgments in applying the Group's accounting policies

Measurement of insurance contract provisions
The Group's accounting policy in respect of insurance contract accounting is discussed in more detail in note 3(f). The key assumptions made in respect of insurance contract liabilities are included in note 3(f) (viii).

Insurance contract classification
Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group. The Group's accounting policy for the classification of insurance is discussed in more detail in note 3(f) (i).

There are a number of contracts sold where the Group exercises judgment about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

Provision for outstanding claims, whether reported or not
Considerable judgment by management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

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

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

Notes to the consolidated financial statements (continued)

5. Use of estimates and judgments (continued)

Classification of financial instruments
The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

(i) In classifying financial assets as "amortized cost", the Group has determined that it meets the criteria for this designation set out in accounting policy 3(b) (iii).
(ii) In designating financial assets at fair value through other comprehensive income, the Group has determined that it has met the criteria for this designation set out in accounting policy 3(b) (iv).

Details of the Group's classification of financial assets and liabilities are given in note 3(b).

Determining fair values
The determination of fair value for financial assets and liabilities is based on quoted market price in an active market under level 1 of fair value hierarchy. The fair value of investment properties is based on accounting policy stated in note 3(h).

Contingent liability arising from litigations
Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with any reasonable assurance.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost less recognized impairment losses, if any. Management believes that the carrying values of these unquoted equity investments are not materially different from their fair values.

Impairment of non-trading investments
The Group evaluates impairment on investments at amortized cost on an ongoing basis and a comprehensive review on a quarterly basis to assess whether an impairment charge should be recognized in the consolidated income statement. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgments about counterparty's financial situation and other means of settlement and the net realizable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

Notes to the consolidated financial statements (continued)

5. Use of estimates and judgments (continued)

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

Impairment of insurance receivables
An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Group evaluating the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2010 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the profit or loss at the time of collection. Provision made for the doubtful debts on insurance receivables at 31 December 2010 was AED 39,836,312 (2009: AED 29,726,000).

Liability adequacy test
At each consolidated statement of financial position date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group 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.

Fair value of land held as investment property
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 Group determined the amount within a range of reasonable fair value estimates. In making its judgment, the Group considered recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

6. Financial assets and liabilities

Fair value of financial instruments

All financial assets and liabilities are measured at amortised cost except for trading and non-trading investments which are measured at fair value by reference to published price quotations in an active market or from prices quoted by counterparties or through use of valuation techniques such as discounted cash flow method.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Notes to the consolidated financial statements (continued)

6. Financial assets and liabilities (continued)

Fair value of financial instruments (continued)

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data
- Level 3: Valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and the unobservable input have a significant impact on the instrument's valuation

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The fair values of cash and cash equivalent and statutory deposit which are predominantly short term in tenure and issued at market rates, are considered to reasonably approximate their book value.

Reconciliation of level 3
Net investments of AED 10.28 million (*2009: nil*) were disposed during the year, during the year investments' revaluation loss was recorded through other comprehensive income for AED 2.2 million (*2009: nil*).

Fair value hierarchy

The table below analyzes financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
31 December 2010				
Investments at fair value through profit or loss	**1,805**	**27,542**	**2,792**	**32,139**
Investment at fair value through OCI	**397,382**	**-**	**56,713**	**454,095**
	399,187	**27,542**	**59,505**	**486,234**
31 December 2009				
Financial assets held-for-trading	-	52,370	-	52,370
Available-for-sale financial assets	423,043	-	64,761	487,804
	423,043	52,370	64,761	540,174

Notes to the consolidated financial statements (continued)

7. Property and equipment

Property and equipment consist of the Group's building, office equipment and motor vehicles. Cost and accumulated depreciation accounts are aggregated as follows:

	Building AED'000	Furniture and fixture AED'000	Office equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost					
At 1 January 2010	2,495	9,804	6,557	1,246	20,102
Additions	-	27,483	2,302	26	29,811
Disposals	-	(3,056)	-	(677)	(3,733)
At 31 December 2010	**2,495**	**34,231**	**8,859**	**595**	**46,180**
Depreciation					
At 1 January 2010	250	5,798	3,373	1,195	10,616
Charge	83	3,472	675	11	4,241
On disposals	-	(2,850)	-	(677)	(3,527)
At 31 December 2010	333	6,420	4,048	529	11,330
Carrying amounts					
At 31 December 2010	**2,162**	**27,811**	**4,811**	**66**	**34,850**
At 31 December 2009	2,245	4,006	3,184	51	9,486

Notes to the consolidated financial statements (continued)

8. Investment properties

	Abu Dhabi Head Office building(i) AED'000	Al Ain building(ii) AED'000	Sharjah building(iii) AED'000	Al Raha Beach land(iv) AED'000	Total AED'000
Fair value at 1 January 2009	101,000	13,090	41,560	221,650	377,300
Increase in fair value during the year	71,000	(1,090)	(6,060)	(24,350)	39,500
At 1 January 2010	172,000	12,000	35,500	197,300	416,800
Increase/(decrease) in fair value during the year	3,000	(1,000)	(3,500)	(21,800)	(23,300)
Fair value at 31 December 2010	**175,000**	**11,000**	**32,000**	**175,500**	**393,500**

(i) Abu Dhabi Head Office Building
The construction of this building which consists of 14 floors was completed in 1980. The fair value of the property is based on an open market valuation carried out by an independent valuer.

(ii) Al Ain Building
The construction of this 6-story building was completed in 2003. The entire building is available for letting to third parties. The fair value of the property is based on the open market valuation carried out by an independent valuer.

(iii) Sharjah Building
This 16-story building was purchased during 1993. The entire building is available for letting to third parties. The fair value of the property is based on the open market valuation carried out by an independent valuer.

(iv) Al Raha Beach Land
In 2007, the Group purchased 2 plots of land at Al Raha Beach in Abu Dhabi City. The fair value of the property is based on the open market valuation carried out by an independent valuer.

All investment properties are located in the United Arab Emirates.

Notes to the consolidated financial statements (continued)

9. Investments

	2010 AED'000	2009 AED'000
Available-for-sale investments	-	491,797
Investments at fair value through OCI	454,095	-
Investments in joint venture	2,204	18
Investments at amortized cost	105,282	-
Investment at fair value through profit or loss	32,139	52,370
Investments at 31 December	593,720	544,185

	2010 AED'000	2009 AED'000
Available-for-sale investments		
Fair value at 1 January	491,797	528,267
Additions during the year	167,408	337,419
Disposals during the year	(77,994)	(462,103)
(Decrease)/increase in fair value	(16,035)	88,882
Exchange rate movement	2	(668)
Fair value at 30 December	565,178	491,797
Reclassification Adjustment		
Transfer to investments at fair value through OCI	(454,095)	-
Transfer to FVTPL investments	(4,597)	-
Transfer to investments at amortized cost	(106,486)	-
Fair value 31 December 2010	-	491,797

	2010 AED'000	2009 AED'000
Investment at fair value through OCI	454,095	-

	2010 AED'000	2009 AED'000
Investment in joint venture		
Investment in URSME – at 31 December	2,204	18

	2010 AED'000	2009 AED'000
Investment at amortized cost		
Reclassified from available-for-sale investments	106,486	-
Change in the value of investment	(1,204)	-
Amortized value at 31 December	105,282	-

Notes to the consolidated financial statements (continued)

9. Investments (continued)

	2010 AED'000	2009 AED'000
Investments at fair value		
Fair value at 1 January	52,370	45,004
Additions during the year	-	26,519
Disposals during the year	(23,208)	(14,756)
Net decrease in fair value	(1,620)	(4,397)
Fair value at 30 December	27,542	52,370
Transfer from available-for-sale investments	4,597	-
Fair value as at 31 December	32,139	52,370

10. Statutory deposit

In accordance with the requirements of Federal Law No. (9) of 1984 (as amended), covering insurance companies and agencies, the Group maintains a bank deposit of AED 10,000,000 (*2009 - AED 10,000,000*) which cannot be utilized without the consent of the UAE Ministry of Economy and Commerce.

11. Insurance contract liabilities and reinsurance contract assets

	2010 AED'000	2009 AED'000
Insurance liabilities		
Reported claims	330,434	448,534
Claims incurred but not reported	50,106	44,853
Unearned premiums	717,820	625,667
	1,098,360	1,119,054
Recoverable from reinsurers		
Reported claims	218,678	350,239
Claims incurred but not reported	25,953	35,024
Unearned premiums	424,851	377,668
	669,482	762,931
Insurance liabilities - net		
Reported claims	111,756	98,295
Claims incurred but not reported	24,153	9,829
Unearned premiums	292,969	247,999
	428,878	356,123

Notes to the consolidated financial statements (continued)

11. Insurance contract liabilities and reinsurance contract assets (continued)

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

	31 December 2010			31 December 2009		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Claims						
Notified claims	**448,534**	**350,239**	**98,295**	493,246	399,561	93,685
Incurred but not reported	**44,853**	**35,024**	**9,829**	49,325	39,956	9,369
Total at 1 January	**493,387**	**385,263**	**108,124**	542,571	439,517	103,054
Claims settled	**(838,171)**	**(369,987)**	**(468,184)**	(599,453)	(248,078)	(351,375)
Increase in liabilities	**725,324**	**229,355**	**495,969**	550,269	193,824	356,445
Total at 31 December	**380,540**	**244,631**	**135,909**	**493,387**	**385,263**	**108,124**
Outstanding claims	**330,434**	**218,678**	**111,756**	448,534	350,239	98,295
Incurred but not reported	**50,106**	**25,953**	**24,153**	44,853	35,024	9,829
Total at 31 December	**380,540**	**244,631**	**135,909**	**493,387**	**385,263**	**108,124**
Unearned premium						
Total at 1 January	**625,667**	**377,668**	**247,999**	**531,720**	**349,739**	**181,981**
Increase during the year	**717,820**	**424,851**	**292,969**	625,667	377,668	247,999
Release during the year	**(625,667)**	**(377,668)**	**(247,999)**	(531,720)	(349,739)	(181,981)
Net increase during the year	**92,153**	**47,183**	**44,970**	93,947	27,929	66,018
Total at 31 December	**717,820**	**424,851**	**292,969**	**625,667**	**377,668**	**247,999**

Notes to the consolidated financial statements (continued)

12. Trade and other receivables

	2010	2009
	AED'000	AED'000
Trade receivables	**627,045**	481,483
Less: allowance for doubtful debts	**(39,837)**	(29,726)
Net trade receivables	**587,208**	451,757
Interest receivable	**3,629**	1,028
Other receivables	**91,882**	76,660
	682,719	529,445

The average credit period on sale of services is 120 days. No interest is charged on trade and other receivables. Trade receivables are provided for, after considering claims payable to policyholders (debtors are provided for based on the net exposure to the Group).

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Included in the Group's trade receivable balances are debtors amounting to AED 123 million (2009: AED 211 million) which are past due at the reporting date for which the Group has not made a provision as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Notes to the consolidated financial statements (continued)

12. Trade and other receivables (continued)

Ageing of trade receivables and due from related parties are as follows:

	2010 AED'000	2009 AED'000
Not past due	**472,126**	240,348
Past due but not impaired		
121 to 365 days	**96,071**	114,781
More than 1 year but less than 2 years	**2,107**	45,291
More than 2 years but less than 3 years	**7,141**	6,848
More than 3 years	**9,763**	44,489
	115,082	211,409
Past due and impaired		
121 to 365 days	**1,285**	1,827
More than 1 year but less than 2 years	**712**	123
More than 2 years but less than 3 years	**3,921**	25
More than 3 years	**33,919**	27,751
	39,837	29,726
Total due	**627,045**	481,483

The Group does not have any past history of significant defaults of balances due from related parties and other receivables since the majority of the counter-parties are parties owned by the shareholders.

Movement in the allowance for doubtful debts:

	2010 AED'000	2009 AED'000
Balance at the beginning of the year	**29,726**	29,646
Impairment losses recognized on receivables	**10,111**	80
Balance at the end of the year	**39,837**	29,726

Notes to the consolidated financial statements (continued)

13. Share capital

	2010 AED'000	2009 AED'000
Authorized:		
375,000,000 ordinary shares of AED 1 each		
(2009 – 375,000,000 ordinary shares of AED 1 each)	**375,000**	375,000
Issued and fully paid:		
375,000,000 ordinary shares of AED 1 each		
(2009 – 375,000,000 ordinary shares of AED 1 each)	**375,000**	375,000

14. Legal reserve

In accordance with the UAE Federal Law No. (8) of 1984 (as amended) concerning Commercial Companies and the Group'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 Group'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 the approval of the General Assembly. This reserve may be used for such purposes as the Directors deem fit.

16. Retained earnings

The Board of Directors propose, subject to the approval of the Annual Ordinary General Assembly, a cash dividend in respect of the year 2010 of AED 0.35 per share at 35% of par value *(2009 of AED 0.25 per share at 25% of par value).*

17. Provision for staff terminal benefits

	2010 AED'000	2009 AED'000
Balance at the beginning of the year	**26,220**	25,615
Amounts charged to consolidated income statement	**10,261**	2,127
Amounts paid during the year	**(9,703)**	(1,522)
Balance at the end of the year	**26,778**	26,220

Notes to the consolidated financial statements (continued)

18. Loans from financial institutions

	2010 AED'000	2009 AED'000
Loan from National Bank of Abu Dhabi	**36,730**	-

The loan carries interest at 3 months LIBOR plus a margin of 2.50% per annum and maturity is on or before 10 November 2011.

19. Trade and other payables

	2010 AED'000	2009 AED'000
Trade accounts payable	**317,620**	277,975
Accrued expenses	**22,415**	10,238
Deferred income	**4,632**	7,767
Other accounts payable	**38,301**	29,677
	382,968	325,657

20. Net investment and other income

	2010 AED'000	2009 AED'000
Impairment on available-for-sale investments	**-**	(307,723)
Increase in fair value of investment properties	**(23,300)**	39,500
Net interest on bank deposits and bonds	**51,316**	63,485
Dividend income	**11,836**	19,867
Net rental income	**15,912**	16,618
Unrealized loss on revaluation of held-for-trading investments	**(1,620)**	(4,397)
Realized gain/(loss) on disposal of available-for-sale and held-for-trading investments	**11,323**	78,815
Other income	**1,163**	6,289
	66,630	(87,546)

Notes to the consolidated financial statements (continued)

21. General and administrative expenses

	2010 AED'000	2009 AED'000
Salaries and other benefits	**100,472**	62,242
Depreciation charge	**4,241**	3,122
Advertisement	**3,124**	2,477
Rental expense	**6,640**	9,096
Stationary and telecommunication	**3,106**	4,856
Others	**28,383**	12,777
	145,966	94,570

22. Basic and diluted earnings per ordinary 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 AED'000	2009 AED'000
Net profit for the year	**142,400**	51,949
Ordinary shares in issue throughout the year	**375,000**	375,000
Basic and diluted earnings per share	**AED 0.38**	AED 0.14

The Group has not issued any instrument which would have an impact on earnings per share when exercised.

23. Related parties

Identity of related parties

Related parties comprise major shareholders, directors, key management and those entities in which they have the ability to control or exercise significant influence in financial and operational decisions. In the ordinary course of business the Group transacts with its related parties based on terms agreed by management of the board. The Group maintains significant balances with these related parties which arise from commercial transactions as follows:

Notes to the consolidated financial statements (continued)

23. Related parties (continued)

***Identity of related parties** (continued)*

Balances

Balances with related parties at the reporting date are shown below:

	Directors and key management 2010 AED'000	**Major shareholder 2010 AED'000**	**Others 2010 AED'000**	**Total 2010 AED'000**	Total 2009 AED'000
Trade and other receivables	**387**	**121**	**3,315**	**3,823**	8,045
Trade and other payables	**-**	**80**	**4,773**	**4,853**	463

Others comprise companies owned by the directors.

Notes to the consolidated financial statements (continued)

23. Related parties (continued)

***Identity of related parties** (continued)*

Transactions

Transactions carried out during the reporting period with related parties are shown below:

	Directors and key management 2010 AED'000	**Major shareholder 2010 AED'000**	**Others 2010 AED'000**	**Total 2010 AED'000**	Total 2009 AED'000
Premium written	453	869	48,161	49,483	16,470
Claims incurred	212	304	25,056	25,572	11,565

No allowances for impairment have been recognized against trade and other receivables extended to related parties or contingent liabilities issued in favor of related parties during the year 2010 *(year ended 31 December 2009: AED nil).*

Notes to the consolidated financial statements (continued)

23. Related parties (continued)

Transactions with key management personnel

Key management compensation is as shown below:

	31 December 2010 AED'000	31 December 2009 AED'000
Short-term employment benefits	**14,445**	10,167
Termination benefits	**605**	323
	15,050	10,490

24. Cash and cash equivalents

Cash and cash equivalents at the end of the year as shown in the consolidated cash flow statement can be reconciled to the related items in the consolidated statement of financial position as follows:

	2010 AED'000	2009 AED'000
Call/current accounts at local UAE banks	1,211,976	1,230,940
Less: Deposits with maturities of greater than three months	(1,017,233)	(994,783)
	194,743	236,157

Fixed deposits and call accounts with banks carry interest rates of 0.25% - 5.21% *(2009: 0.40% - 7.75%)* per annum.

25. Segment information

Primary segment information

The Group is organized into two main business segments:

Underwriting of marine insurance business – incorporating all classes of general insurance including marine cargo hull and aviation.

Underwriting of non-marine insurance business – incorporating all classes of insurance including fire, engineering, general accident, motor and medical.

Notes to the consolidated financial statements (continued)

25. Segment information (continued)

Primary segment information (continued)

	Marine 2010 AED'000	Marine 2009 AED'000	Non Marine 2010 AED'000	Non Marine 2009 AED'000	Total 2010 AED'000	Total 2009 AED'000
Gross written premium	**454,825**	402,889	**1,315,372**	1,148,652	**1,770,197**	1,551,541
Less: Reinsurance premium ceded	**(411,114)**	(382,896)	**(631,485)**	(557,150)	**(1,042,599)**	(940,046)
Net written premium	**43,711**	19,993	**683,887**	591,502	**727,598**	611,495
Net change in unearned premium reserves	**(4,783)**	(535)	**(40,187)**	(65,483)	**(44,970)**	(66,018)
Net premium earned	**38,928**	19,458	**643,700**	526,019	**682,628**	545,477
Gross claims paid	**143,042**	48,647	**695,129**	550,806	**838,171**	599,453
Less: Reinsurance share of claims paid	**(126,651)**	(39,940)	**(243,336)**	(208,138)	**(369,987)**	(248,078)
Net claims paid	**16,391**	8,707	**451,793**	342,668	**468,184**	351,375
Net change in Outstanding claims and IBNR	**2,004**	1,499	**25,781**	3,571	**27,785**	5,070
Net claims incurred	**18,395**	10,206	**477,574**	346,239	**495,969**	356,445
Reinsurance commission and other technical income earned	**29,250**	22,369	**90,276**	64,972	**119,526**	87,341
Production commission and other technical expenses	**(9,997)**	(4,069)	**(74,452)**	(38,239)	**(84,449)**	(42,308)
Net commissions income	**19,253**	18,300	**15,824**	26,733	**35,077**	45,033
Net underwriting income	**39,786**	27,552	**181,950**	206,513	**221,736**	234,065
Net investment and other income					**66,630**	(87,546)
General and administrative expenses					**(145,966)**	(94,570)
Net profit for the year					**142,400**	51,949

There were no transactions between the business segments.

Notes to the consolidated financial statements (continued)

26.Contingent liabilities and commitments

	2010 AED'000	2009 AED'000
Bank guarantees	**34,418**	35,594
Letters of credit	**99**	99

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

27.Comparative figures

Comparative figures have been reclassified to conform with the presentation for the current year.

Abu Dhabi National Insurance Company (ADNIC)

Locations

Head Office

ADNIC Corporate Headquarters
P.O. Box: 839 - Abu Dhabi
Tel: 02 4080100
Fax: 02 6268600
Toll Free: 800-8040
Email: adnic@adnic.ae
Website: www.adnic.ae

Al Ain Branch

H.E. Khalaf Bin Ahmad Al-Otaibah Building
Sheikh Zayed Street (Main Street)
P.O. Box: 1407 - Al Ain
Tel: 03 7641834
Fax: 03 7663147

Dubai Branches

Deira Branch
Doha Centre, Al Maktoum Street
P.O. Box: 11236 - Deira
Tel: 04 2222223
Fax: 04 2235672

Sheikh Zayed Road Branch
P.O. Box: 118658
Tel: 04 5154800
Fax: 04 3306751
Sharjah Branch

Sharjah Branches

Sarah Shopping Centre, Al Borj Street
P.O. Box: 3674 - Sharjah
Tel: 06 5683743
Fax: 06 5682713

Satellite Offices

Abu Dhabi Office

Abu Dhabi Traffic Police - Vehicle Test Section
Tel: 02 4448611
Fax: 02 4447872

Mussafah Office

No. M42, Mussafah Industrial Area,
Heavy Vehicle Registration Office, Abu Dhabi
Traffic Department
Tel: 02 5511382
Fax: 02 5511382

Samha Traffic Office

Samha ADNOC Station
Tel: 02 5620162
Fax: 02 5620162

Madinat Zayed Office

Abu Dhabi Traffic Police - Heavy Vehicle
Registration Office
Tel: 02 8841577
Fax: 02 8841577

Ruwais Office

Ruwais City - Main ADNOC Station
Tel: 02 8772123
Fax: 02 8772123

Al Ain Office

Al Ain Traffic Police Department - Zakher
Tel: 03 7828666
Fax: 03 7663147

Mizyad Office

Abu Dhabi Traffic Police Department -
Vehicle Test Section
Tel: 03 7824250
Fax: 03 7663147

Ghuwaifat Border Office

Tel: 02 8723080/02 8723287
Fax: 02 8723080

Khalifa City Office

C9, Ground Floor, Etihad Plaza Complex
Tel: 02 4080547/02 5568048
Fax: 02 556769