AL DHAFRA INSURANCE COMPANY P.S.C.

Reports and financial statements for the year ended 31 December 2014

AL DHAFRA INSURANCE COMPANY P.S.C.

Reports and financial statements for the year ended 31 December 2014

BOARD OF DIRECTORS

Chairman	**H.E. Sheikh Mohamed Bin Sultan Al Dhahiry**
Deputy Chairman	**Mr. Yousef Bin Mohammad Ali Al Nowais**
Directors	**Mr. Saif Saeed Bin Ahmed Ghobash**
	Mr. Rashid Bin Mohamed Al Mazroui
	Mr. Saif Bin Mubarak Al Riamy
	Mr. Saleh Bin Rashid Al Dhahiry
	Mr. Mohammad Saeed Omran Al Mazroui
	Mr. Obeid Bin Khalifa Al Jaber
General Manager	**Mr. Kamal Sartawi**
Auditors	**Deloitte & Touche (M.E.)**

BOARD OF DIRECTORS (continued)

HEAD OFFICE

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THE BOARD OF DIRECTORS' 35th ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

Dear Shareholders,

The Board of Directors have the pleasure to welcome you to the Ordinary General Assembly of the Company and present to you the 35th Annual Report regarding the business activities and financial position of the Company during the year 2014 as well as the financial statements for the year ended on 31 December 2014 along with Auditor's Report.

At the outset, The Board of Directors would like to express its appreciation and utmost respect to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates and His Brothers, the Rulers of other Emirates and His Highness Sheikh Mohamad Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi for their continuous limitless support and patronage for National institutions and Companies. All credits for the progress and stability achieved by the Country go to our wise leadership.

At the local level certain Laws and Regulations have been issued in the Country by relevant authorities which will have a positive impact on insurance sector, some of which are:

- Law no. 58 of 2013 regarding implementation of Law no. 15 of 2013 relating to regulating the Insurance Brokers operation in the Country. Insurance Authority being the Regulatory Body supervising and controlling the insurance sector has issued this Law as part of its framework of comprehensive review of all matters relating to the insurance industry in the country. This Law covers in detail all aspects relating to this vital sector of the economy, for example solvency, efficiency of administrative and technical team, responsibilities and commitments of Brokers towards Insurance Companies and towards clients etc. All these new directives will definitely be beneficial to Insurance Brokers in particular and to Insurance sector in general.

- Health Insurance Law No. 11/2013 for Dubai Emirate relating to health insurance cover for UAE Nationals and Expatriates working in the Emirate. After the success of Abu Dhabi Emirate in implementing the Compulsory health insurance, Dubai Emirate started implementing the Law in phases, that is, first phase starting from 4th quarter 2014 and last phase in June 2016. When the last phase in June 2016 is completed, it is expected that around 2.3 million population will be covered under Health Insurance of Emirate of Dubai which will increase the premium volume of U.A.E. by approximately AED 2 billion.

2014 also witnessed certain exceptional economic events which have an impact at local and international levels, the most important of which were:

1. Oil price went down by 50% from the highest price recorded in June 2014.
2. US Dollar currency exchange rate went up by 12% vis-à-vis the basket of main currencies which is the strongest performance of US Dollar in last ten years. This has been positively reflected in the purchasing power of AED vis-à-vis basket of main currencies as AED is pegged with US Dollar.
3. Local and regional Stock market tumbled unexpectedly during 4th quarter wiping out almost all gains recorded during 2014 and stock market indices settled with a gain of 12% in Dubai and 5.5% in Abu Dhabi

As far as your Company's performance during the year is concerned, the figures appearing in the statement of financial position and the financial statements illustrate the achievements which are summarized as below:

- The gross insurance premium increased to AED 346,689,456 as compared to AED 303,139,619 in 2013, an increase of 14.37%.

- The net underwriting income for the year was AED 50,547,632 as compared to AED 50,631,574 for the prior year.

- The technical reserves at the end of the year under review has reached AED 162,955,125 as compared to AED 132,869,074 in the prior year; thereby an increase of 22.64%.

- Total assets increased to AED 855,319,940 as against AED 820,063,638 in 2013 an increase of 4.30%.

Gross and net premiums:

The gross insurance premium written by the Company during the year under report is AED 346,689,456 against AED 303,139,619 achieved during the year 2013, depicting an increase by 14.37%

The premiums retained by the Company reached AED 227,037,079 as compared to AED 185,946,503 for the year 2013, an increase of 22.10%.

Gross paid claims:

The gross claims paid by the Company to its customers during the year under report is AED 189,933,675 against AED 185,752,915 for 2013, which represents an increase of 2.25%.

Net claims paid during the year under report is AED 153,977,821 against AED 142,637,205, that is an increase of 7.95%

Technical reserves:

The technical reserves at the end of the year under review has reached AED 162,955,125 against AED 132,869,074 in the prior year. It may be noted that the technical reserves are now equal to 71.77% of the retained premiums.

THE BOARD OF DIRECTORS' 35th ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Figures relating to different classes of insurance

	2014 AED	2013 AED
Gross written premium		
Marine & aviation insurance	**33,731,423**	30,052,381
Fire & general accidents insurance	**312,958,033**	273,087,238
Total	**346,689,456**	303,139,619
Gross paid claims		
Marine & aviation insurance	**6,234,339**	7,218,465
Fire & general accidents insurance	**183,699,336**	178,534,450
Total	**189,933,675**	185,752,915
Technical reserves		
Marine & aviation insurance	**757,552**	1,102,336
Fire & general accidents insurance	**162,197,573**	131,766,738
Total	**162,955,125**	132,869,074

Investments:

The total investments (including investment properties) of the Company increased from AED 363,529,124 to an amount of AED 379,068,886 at the end of 2014 showing an increase of 4.27 %.

The investment income during the year stood at AED 26,937,186 as compared to AED 32,225,756 in the prior year, showing a decrease of 16.41%.

It is worth mentioning that all of the investments of the Company are within the U.A.E. The Company has no investments in U.S.A or in Europe and all available cash are deposited in Banks within the U.A.E.

THE BOARD OF DIRECTORS' 35th ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Administrative and other operating expenses:

The administrative and other operating expenses during the year under report reached an amount of AED 35,100,947 against an amount of AED 34,045,762 in the prior year, representing an increase of 3.10%.

Profits:

The profits achieved by the Company from insurance and investment activities for the year under review is AED 42,383,871 against an amount of AED 48,811,568 achieved in the prior year, a decrease of 13.17%.

Company branches and offices:

Company has opened more point of sales in Al Ain at Al Hayer, Al Wagan and at Sweihan as part of its plan to expand distribution network and the Company now has branches and point of sales in most residential areas and service centers in Abu Dhabi, Al Ain, Baniyas, Al Rahba, Musaffah and in Traffic Dept offices in addition to branches in Dubai and Sharjah.

Profit distribution:

The profit of AED 42,383,871 achieved by the Company during the year together with the comprehensive income of AED 530,947 and the retained profit of AED 82,040,301 amounted to a distributable income of AED 124,955,119.

We recommend appropriation of the above profit as follows:

Amount (AED)	*Details of appropriation*
40,000,000	To be distributed to shareholders as cash dividends
84,955,119	**To be carried forward to the subsequent year**

Plans for 2015:

We will continue expanding our business through developing new offices and point of sales in addition to strengthening current office and expanding our online business.

We are continuing our prudent business strategy of concentrating on healthy business aiming at achieving better operational results.

THE BOARD OF DIRECTORS' 35th ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Recommendations of Board of Directors to Shareholders:

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

1- To approve the report of the Board of Directors, for 2014.
2- To approve the Auditor's Report for 2014.
3- To approve the financial statements of the Company for the year ending on 31 December 2014.
4- To approve distribution of 40% cash dividend as proposed by the Board.
5- To discharge the Chairman and Members of the Board of Directors and Auditors from liabilities related to the performance of their duties during the year under review.
6- To approve the remuneration to the Board of Directors.
7- To appoint external auditors for the year 2015 and determine their fees.

Conclusion:

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

BOARD OF DIRECTORS

10 February 2015

AL DHAFRA INSURANCE CO. P.S.C.-FAD 1
ABU DHABI

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INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

We have audited the accompanying financial statements of Al Dhafra Insurance Company P.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position Al Dhafra Insurance Company P.S.C. at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

Deloitte & Touche (M.E.)

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P.O.Box 990
Deloitte & Touche

Mohammad Khamees Al Tah
Registration Number 717
10 February 2015

Statement of financial position
as at 31 December 2014

	Notes	2014 AED	2013 AED
ASSETS			
Non-current assets			
Property and equipment	5	**1,521,170**	1,168,922
Investment properties	6	**82,000,000**	82,000,000
Intangible assets	7	**3,794,279**	4,795,137
Investments designated at fair value through other comprehensive income (FVTOCI)	8.2	**177,392,770**	176,456,409
Investments at amortised cost	8.2	**3,610,000**	3,610,000
Statutory deposit	9	**10,000,000**	10,000,000
Total non-current assets		**278,318,219**	278,030,468
Current assets			
Investments designated at fair value through profit or loss (FVTPL)	8.2	**116,066,116**	91,548,315
Investments at amortised cost	8.2	**-**	9,914,400
Reinsurance contract assets	10	**118,786,649**	122,854,286
Trade and other receivables	12	**118,834,349**	109,967,934
Prepayments		**2,450,704**	1,964,247
Bank balances and cash	22	**220,863,903**	205,783,988
Total current assets		**577,001,721**	542,033,170
Total assets		**855,319,940**	820,063,638

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

Statement of financial position
as at 31 December 2014 (continued)

	Notes	2014 AED	2013 AED
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	**100,000,000**	100,000,000
Legal reserve	14	**50,000,000**	50,000,000
General reserve	15	**145,000,000**	145,000,000
Investment revaluation reserve		**(14,151,046)**	(15,632,267)
Retained earnings		**124,955,119**	122,040,301
Total Shareholders' equity		**405,804,073**	401,408,034
Non-current liability			
Provision for end of service benefits	17	**7,462,006**	7,323,179
Current liabilities			
Insurance contract liabilities	10	**281,741,774**	255,723,360
Trade and other payables	18	**160,312,087**	155,609,065
Total current liabilities		**442,053,861**	411,332,425
Total liabilities		**449,515,867**	418,655,604
Total equity and liabilities		**855,319,940**	820,063,638

AL DHAFRA INSURANCE CO. P.S.C.-FAD 1 ABU DHABI

Assistant General Manager - Finance	**General Manager**	**Chairman**

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

Statement of profit or loss
for the year ended 31 December 2014

	Notes	2014 AED	2013 AED
Gross written premium		**346,689,456**	303,139,619
Change in unearned premium		**(26,453,168)**	5,831,899
Insurance premium revenue		**320,236,288**	308,971,518
Reinsurance premium ceded		**(119,652,377)**	(117,193,116)
Change in reinsurance portion of unearned premium		**(2,199,607)**	2,206,390
Net reinsurance premium ceded		**(121,851,984)**	(114,986,726)
Net insurance premium revenue		**198,384,304**	193,984,792
Gross claims paid		**(189,933,675)**	(185,752,915)
Change in outstanding claims provision		**434,754**	(13,209,190)
Gross claims incurred		**(189,498,921)**	(198,962,105)
Reinsurance share of claims paid		**35,955,854**	43,115,710
Change in reinsurance share of outstanding claims		**(1,868,030)**	4,639,598
Reinsurance share of claims incurred		**34,087,824**	47,755,308
Net claims incurred		**(155,411,097)**	(151,206,797)
Gross commission earned		**27,247,825**	23,145,223
Less: commission incurred		**(19,673,400)**	(15,291,644)
Net commission earned		**7,574,425**	7,853,579
Net underwriting income		**50,547,632**	50,631,574
Net investment and other income	19	**26,937,186**	32,225,756
Administrative expenses		**(25,132,282)**	(24,650,015)
Other operating expenses		**(9,968,665)**	(9,395,747)
Profit for the year	20	**42,383,871**	48,811,568
Basic and diluted earnings per share	21	**0.42**	0.49

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

Statement of comprehensive income
for the year ended 31 December 2014

	Notes	2014 AED	2013 AED
Profit for the year		**42,383,871**	48,811,568
Other comprehensive income:			
Items not to be reclassified to profit or loss in subsequent periods:			
Gain on disposal of investments at FVTOCI	**8.2**	**7,132**	40,663
Increase in fair value of investments at FVTOCI	**8.2**	**2,005,036**	80,426,300
Other comprehensive income		**2,012,168**	80,466,963
Total comprehensive income for the year		**44,396,039**	129,278,531

Statement of changes in equity
for the year ended 31 December 2014

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2013	100,000,000	46,928,103	145,000,000	(96,460,870)	116,662,270	312,129,503
Profit for the year	-	-	-	-	48,811,568	48,811,568
Other comprehensive income for the year	-	-	-	80,426,300	40,663	80,466,963
Total comprehensive income for the year	-	-	-	80,426,300	48,852,231	129,278,531
Dividends (note 16)	-	-	-	-	(40,000,000)	(40,000,000)
Transfer to legal reserve	-	3,071,897	-	-	(3,071,897)	-
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	402,303	(402,303)	-
Balance at 1 January 2014	100,000,000	50,000,000	145,000,000	(15,632,267)	122,040,301	401,408,034
Profit for the year	-	-	-	-	42,383,871	42,383,871
Other comprehensive income for the year	-	-	-	2,005,036	7,132	2,012,168
Total comprehensive income for the year	-	-	-	2,005,036	42,391,003	44,396,039
Dividends (note 16)	-	-	-	-	(40,000,000)	(40,000,000)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	(523,815)	523,815	-
Balance at 31 December 2014	**100,000,000**	**50,000,000**	**145,000,000**	**(14,151,046)**	**124,955,119**	**405,804,073**

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

Statement of cash flows
for the year ended 31 December 2014

	Notes	2014 AED	2013 AED
Operating activities			
Profit for the year		42,383,871	48,811,568
Adjustments for:			
Depreciation of property and equipment	5	717,585	562,582
Amortisation of intangible assets	7	1,643,257	1,454,908
Investment income		(26,098,456)	(31,524,660)
Loss/(gain) on disposal of property and equipment	19	614	(33,718)
Provision for end of service benefits	17	543,022	1,125,034
Operating cash flows before movements in working capital		19,189,893	20,395,714
Decrease/(increase) in reinsurance contract assets		4,067,637	(6,845,988)
Increase in insurance contract liabilities		26,018,414	7,377,291
Increase in trade and other receivables		(8,944,078)	(8,066,009)
(Increase)/decrease in prepayments		(486,457)	46,522
Increase in trade and other payables		7,703,022	15,547,161
Cash from operating activities		47,548,431	28,454,691
End of service benefits paid	17	(404,195)	(96,704)
Net cash from operating activities		47,144,236	28,357,987
Investing activities			
Proceeds from disposal of:			
Investments designated at FVTOCI	8.2	1,253,806	262,624
Investments designated at FVTPL	8.2	84,322,886	91,354,381
Investment at amortised cost		9,914,400	-
Property and equipment		27,801	75,049
Interest received		5,021,261	6,751,241
Dividends received	19	13,490,515	9,747,194
Rental income received	19	3,729,204	3,620,177
Payments for purchase of:			
Investments at FVTOCI	8.2	(177,999)	-
Investments at FVTPL	8.2	(104,357,372)	(82,293,881)
Property and equipment	5	(1,093,160)	(425,143)
Intangible assets	7	(647,487)	(1,458,837)
Payment of investment expenses	19	(548,176)	(349,653)
Movement in bank deposits with original maturities of greater than three months		(8,960,408)	70,701,516
Net cash generated from investing activities		1,975,271	97,984,668
Financing activities			
Dividends paid		(40,000,000)	(40,000,000)
Directors' remuneration paid		(3,000,000)	(3,000,000)
Net cash used in investing activities		(43,000,000)	(43,000,000)
Increase in cash and cash equivalents		6,119,507	83,342,655
Cash and cash equivalents at the beginning of the year		153,585,141	70,242,486
Cash and cash equivalents at the end of year	22	159,704,648	153,585,141

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

Notes to the financial statements
for the year ended 31 December 2014

1 General information

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

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

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

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

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

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

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

New and revised IFRSs	Summary of requirements
Amendments to IAS 32 *Financial Instruments: Presentation* relating to offsetting financial assets and liabilities	The amendments clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: (a) the meaning of 'currently has a legally enforceable right of set-off' (b) the application of simultaneous realisation and settlement (c) the offsetting of collateral amounts and (d) the unit of account for applying the offsetting requirements.
Amendments to IFRS 10 *Consolidated Financial Statements,* IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* relating to investment entities and exemption of consolidation of particular subsidiaries	Amends IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* to: (a) provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments: Recognition and Measurement* (b) require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries and (c) require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

Notes to the financial statements
for the year ended 31 December 2014 (continued)

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

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

New and revised IFRSs	Summary of requirements
Amendments to IAS 36 *Impairment of Assets* relating to recoverable amount disclosures for non-financial assets	The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.
Amendments to IAS 39 *Financial instruments –* Recognition and Measurement amendments for novations of derivatives and continuation of hedge accounting	The amendments make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.
IFRIC 21 *Levies*	IFRIC 12 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies: (a) the liability is recognised progressively if the obligating event occurs over a period of time and (b) if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

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

2.2 New and revised IFRSs in issue but not yet effective

The Company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
• IFRS 7 *Financial Instruments*: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
• IFRS 9 *Financial Instruments* (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 *Financial Instruments* (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9. Finalised version of IFRS 9 (IFRS 9 *Financial Instruments* (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets: (2) the classification and measurement requirements for both financial assets and financial liabilities: (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015.	1 January 2018

Notes to the financial statements
for the year ended 31 December 2014 (continued)

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 15 *Revenue from Contracts with Customers* In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: ▪ Step 1: Identify the contract(s) with a customer. ▪ Step 2: Identify the performance obligations in the contract. ▪ Step 3: Determine the transaction price. ▪ Step 4: Allocate the transaction price to the performance obligations in the contract. ▪ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2017
• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	1 January 2016
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
• Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	1 July 2014
• Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014
• Amendments to IAS 19 *Employee Benefits* clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 (2014) and IFRS 15, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 (2014) will be adopted in the Company's financial statements for the annual periods beginning 1 January 2017 and 1 January 2018 respectively. The application of IFRS 15 (2014) and IFRS 9 may have significant impact on amounts reported and disclosures made in the financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

2.3 Standards adopted before effective date

During the year 2009, the Company adopted IFRS 9 *Financial Instruments* (2009) in advance of its effective date. Refer to Notes 3.13 and 3.14 for the accounting policies regarding financial instruments.

3 Summary of significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.3 Insurance contracts

Definition

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

3.3 Insurance contracts (continued)

Recognition and measurement

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

These contracts are casualty and property insurance contracts.

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

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

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

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

Reinsurance contracts held

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

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

Insurance contract liabilities

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

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

Deferred policy acquisition costs

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

Salvage and subrogation reimbursements

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

Liability adequacy test

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

Receivables and payables related to insurance contracts

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

3 Summary of significant accounting policies (continued)

3.4 Revenue recognition

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

Insurance contract income

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these financial statements (see above 3.3)

Commission income and expenses

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

Rental, dividend and interest income

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

3.5 Foreign currencies

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

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

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

3 Summary of significant accounting policies (continued)

3.6 Property and equipment

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

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

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

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

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

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

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

3.7 Capital work in progress

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

3.8 Investment properties

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

3 Summary of significant accounting policies (continued)

3.9 Intangible assets

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

3.10 Impairment of non-financial assets

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

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

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

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

3.11 Provisions

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

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

3 Summary of significant accounting policies (continued)

3.12 Employee benefits

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

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

3.13 Financial assets

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

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

3.13.1 Classification of financial assets

The Company classifies its financial assets under the following categories: 'loans and receivables', 'investments at amortised cost', 'financial assets at fair value through profit or loss (FVTPL)', and 'financial assets at fair value through other comprehensive income (FVTOCI)'.

3.13.2 Financial assets at amortised cost and the effective interest method

Cash and cash equivalents

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

Insurance receivables

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

3 Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

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

Investments at amortised cost

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

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

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see note 3.13.3 below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see note 3.13.5 below).

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

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

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

3.13.3 Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortised cost criteria described in note 3.13.2, or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Company has not designated a debt instrument financial asset as at FVTPL.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from FVTPL to amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition (see note 3.13.2) is not permitted.

Investments in equity instruments are mandatorily classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition as described in note 3.13.4 below.

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

3 Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

3.13.4 Financial assets at FVTOCI

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

A financial asset is held for trading if:

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

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

3.13.5 Impairment of financial assets at amortised cost

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

Objective evidence of impairment could include:

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

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

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

3 Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

3.13.5 Impairment of financial assets at amortised cost (continued)

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

3.13.6 Derecognition of financial assets

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

3.14 Financial liabilities and equity instruments issued by the Company

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

3.14.1 Equity instruments

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

3.14.2 Financial liabilities

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

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

3 Summary of significant accounting policies (continued)

3.14 Financial liabilities and equity instruments issued by the Company (continued)

3.14.3 Derecognition of financial liabilities

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

3.15 Dividend distribution

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

4 Critical accounting judgments and key sources of estimation of uncertainty

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

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

4.1 Classification of investments

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

4.2 Impairment of amounts due from insurance and reinsurance companies

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

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

4.3 Impairment of amounts due from policy holders

An estimate of the collectible amounts from policyholders is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired entails the Management's evaluation of the specific credit and liquidity position of the policy holders and their historical recovery rates including detailed investigations carried out during the year and feedback received from the legal department. Impairment allowance balance of amounts due from policy holders at 31 December 2014 is AED 6,992,119 (2013: AED 7,024,364).

4.4 Impairment of investments at amortised cost

Management regularly reviews indicators of impairment for investments at amortised cost and considers the criteria as set out in IFRS 9 *Financial Instruments*. Management evaluated the basis, particularly instances of default or delinquency in interest or principal payments. Management assessed that the impairment of investments at amortised cost for 2014 is AED Nil (2013: AED Nil).

4.5 Estimate of fair value of investment properties

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

4.6 The ultimate liability arising from claims made under insurance contracts

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

4.7 Liability adequacy test

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

5 Property and equipment

	Furniture and fittings AED	Motor vehicles AED	Computer equipment and accessories AED	Capital work in progress AED	Total AED
Cost					
1 January 2013	3,090,846	769,600	2,053,143	1,585,797	7,499,386
Additions	165,357	-	259,786	-	425,143
Disposals	(612,286)	(154,000)	(28,290)	-	(794,576)
Transfer	254,110	-	192,647	(1,585,797)	(1,139,040)
1 January 2014	2,898,027	615,600	2,477,286	-	5,990,913
Additions	220,977	626,400	245,783	-	1,093,160
Disposals	(397,625)	(27,000)	(781,838)	-	(1,206,463)
31 December 2014	**2,721,379**	**1,215,000**	**1,941,231**	**-**	**5,877,610**
Accumulated depreciation					
1 January 2013	2,825,481	727,697	1,370,167	-	4,923,345
Charge for the year	249,817	22,955	289,810	-	562,582
Disposals	(578,888)	(154,000)	(20,357)	-	(753,245)
Transfer	203,460	-	(114,151)	-	89,309
1 January 2014	2,699,870	596,652	1,525,469	-	4,821,991
Charge for the year	203,304	184,440	329,841	-	717,585
Disposals	(392,993)	(16,498)	(773,645)	-	(1,183,136)
31 December 2014	**2,510,181**	**764,594**	**1,081,665**	**-**	**4,356,440**
Carrying amount					
31 December 2014	**211,198**	**450,406**	**859,566**	**-**	**1,521,170**
31 December 2013	198,157	18,948	951,817	-	1,168,922

Notes to the financial statements
for the year ended 31 December 2014 (continued)

6 Investment properties

	Land AED	Abu Dhabi building AED	Al Ain building AED	Total AED
Fair value as at 31 December 2013 and 2014	**52,935,000**	**24,500,000**	**4,565,000**	**82,000,000**

Management has considered recent prices for similar properties in the same location and similar condition and also the prevailing situation of real estate properties in UAE and considered the valuation report from Technical and Loss Adjusting Services LLC who have determined the fair values of the land and buildings to be AED 82 million as at 31 December 2014. The fair value of the Company's investment properties as has been arrived at on the basis of a valuation carried out by The Technical and Loss Adjusting Services Co. LLC, an independent valuer not related to the Company. The Technical and Loss Adjusting Services Co. LLC have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach. There has been no change to the valuation technique during the year. Investment properties as at 31 December 2014 and 2013 have been classified as level 3 fair value measurement.

The plots of land in Abu Dhabi and Al Ain on which investment properties are constructed were awarded to the Company free of cost by the Executive Council of the Government of Abu Dhabi on 21 June 1981 and 27 August 1983, respectively. The fair values of the plots of land in Abu Dhabi and Al Ain as at 31 December 2014 amounted to AED 45,000,000 and AED 7,935,000, respectively.

The Company occupies three floors of the building for its Head Office in Abu Dhabi with the remaining fourteen floors available for letting to third parties. The Company is utilizing the first and mezzanine floors for housing its Al Ain Branch office with the remaining space available for letting to third parties.

7 Intangible assets

	2014 AED	2013 AED
Computer software		
Cost		
1 January	**9,271,474**	6,673,597
Additions	**647,487**	1,458,837
Disposal	**(1,148,457)**	-
Transfers	-	1,139,040
31 December	**8,770,504**	9,271,474
Accumulated amortisation		
1 January	**4,476,337**	3,110,738
Charge for the year	**1,643,257**	1,454,908
Eliminated on disposal	**(1,143,369)**	-
Transfers	-	(89,309)
31 December	**4,976,225**	4,476,337
Carrying amount		
31 December	**3,794,279**	4,795,137

8 Investments

8.1 Composition of investments

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

	2014 AED	2013 AED
Investments at FVTOCI		
Quoted UAE equity securities	**177,392,770**	176,456,409
Investments at FVTPL		
Investment funds	**116,066,116**	91,548,315
Investments at amortised cost		
Investment funds	**3,610,000**	3,610,000
Bonds	**-**	9,914,400
	3,610,000	13,524,400
Current	**-**	9,914,400
Non-current	**3,610,000**	3,610,000
	3,610,000	13,524,400

Investment funds included in investments at FVTPL comprise various mutual funds in the UAE. Included in the investment funds at amortised cost is an investment of US$ 5 million in Arabian Real Estate Fund, which Management has determined to be impaired by AED 14,750,000 as at 31 December 2014 (2013: AED 14,750,000).

Bonds at amortised cost comprise of five-year investment amounting to US$ 2.7 million which bears an interest of 10.75% per annum. Interest was payable semi-annually on 14 May and 14 November. These bonds matured during the year.

The geographical distribution of investments is as follows:

	2014 AED	2013 AED
Within UAE	**297,068,886**	281,529,124
Outside UAE	**-**	-
	297,068,886	281,529,124

8 Investments (continued)

8.2 Movement in investments

The movement in investments during the year is as follows:

Investments at fair value	**at FVTOCI AED**	**at FVTPL AED**	**Total AED**
Fair value at 1 January 2013	96,252,070	87,472,864	183,724,934
Additions during the year	-	82,293,881	82,293,881
Proceeds from disposals during the year	(262,624)	(91,354,381)	(91,617,005)
Gain on disposal during the year	40,663	2,309,686	2,350,349
Increase in fair value taken to:			
Profit or loss (note 19)	-	10,826,265	10,826,265
Other comprehensive income	80,426,300	-	80,426,300
Fair value at 1 January 2014	176,456,409	91,548,315	268,004,724
Additions during the year	177,999	104,357,372	104,535,371
Proceeds from disposals during the year	(1,253,806)	(84,322,886)	(85,576,692)
Gain on disposal during the year	7,132	3,769,957	3,777,089
Increase in fair value taken to:			
Profit or loss (note 19)	-	713,358	713,358
Other comprehensive income	2,005,036	-	2,005,036
Fair value at 31 December 2014	**177,392,770**	**116,066,116**	**293,458,886**

	2014 AED	2013 AED
Investments at amortised cost		
Amortised cost at 1 January	**13,524,400**	13,524,400
Proceeds from maturity	**(9,914,400)**	-
Amortised cost at 31 December	**3,610,000**	13,524,400

Notes to the financial statements
for the year ended 31 December 2014 (continued)

9 Statutory deposit

In accordance with the requirements of Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of UAE, the Company maintains a bank deposit of AED 10,000,000 (2013: AED 10,000,000) which cannot be utilised without the consent of the UAE Insurance Authority.

10 Insurance contract liabilities and reinsurance contract assets

	2014 AED	2013 AED
Insurance liabilities - Gross		
Reported claims	**143,761,619**	138,534,972
Claims incurred but not reported	**3,121,589**	8,782,990
Unearned premiums	**134,858,566**	108,405,398
	281,741,774	255,723,360
Recoverable from reinsurers		
Reported claims	**77,332,135**	77,826,137
Claims incurred but not reported	**520,680**	1,894,708
Unearned premiums	**40,933,834**	43,133,441
	118,786,649	122,854,286
Insurance liabilities – Net		
Reported claims	**66,429,484**	60,708,835
Claims incurred but not reported	**2,600,909**	6,888,282
Unearned premiums	**93,924,732**	65,271,957
	162,955,125	132,869,074

10 Insurance contract liabilities and reinsurance contract assets (continued)

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

	2014			2013		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
CLAIMS						
Notified claims	138,534,972	77,826,137	60,708,835	130,357,469	73,792,013	56,565,456
Incurred but not reported	8,782,990	1,894,708	6,888,282	3,751,303	1,289,234	2,462,069
Total at 1 January	147,317,962	79,720,845	67,597,117	134,108,772	75,081,247	59,027,525
Claims settled	(189,933,675)	(35,955,854)	(153,977,821)	(185,752,915)	(43,115,710)	(142,637,205)
Increase in liabilities	189,498,921	34,087,824	155,411,097	198,962,105	47,755,308	151,206,797
Total at 31 December	146,883,208	77,852,815	69,030,393	147,317,962	79,720,845	67,597,117
Notified claims	143,761,619	77,332,135	66,429,484	138,534,972	77,826,137	60,708,835
Incurred but not reported	3,121,589	520,680	2,600,909	8,782,990	1,894,708	6,888,282
Total at 31 December	146,883,208	77,852,815	69,030,393	147,317,962	79,720,845	67,597,117
UNEARNED PREMIUM						
Total at 1 January	108,405,398	43,133,441	65,271,957	114,237,297	40,927,051	73,310,246
Premiums written during the year	134,858,566	40,933,834	93,924,732	108,405,398	43,133,441	65,271,957
Release during the year	(108,405,398)	(43,133,441)	(65,271,957)	(114,237,297)	(40,927,051)	(73,310,246)
Net increase/(decrease) during the year	26,453,168	(2,199,607)	28,652,774	(5,831,899)	2,206,390	(8,038,289)
Total at 31 December	134,858,566	40,933,834	93,924,732	108,405,398	43,133,441	65,271,957

11 Related parties

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

	2014 AED	2013 AED
Premiums written	**13,932,589**	60,509,504
Claims paid	**32,668,399**	47,049,506
Directors' remuneration	**3,000,000**	3,000,000
Remuneration of key management	**7,683,044**	7,930,200
Due from related party policyholders (note 12)	**11,896,303**	27,324,994

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

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

12 Trade and other receivables

	2014 AED	2013 AED
Due from external policyholders	**101,610,924**	79,201,261
Due from related party policyholders (note 11)	**11,896,303**	27,324,994
Less: allowance for doubtful debts	**(6,992,119)**	(7,024,364)
Net due from policyholders	**106,515,108**	99,501,891
Due from insurance companies	**4,798,707**	4,953,656
Due from reinsurance companies	**5,938,802**	3,844,939
Interest receivable	**865,151**	942,814
Other receivables	**716,581**	724,634
	118,834,349	109,967,934

12 Trade and other receivables (continued)

The average credit period on due from policy holders is 90 to 180 days. No interest is charged and no collateral is taken on trade and other receivables. The Company has adopted a policy of only dealing with creditworthy counterparties. Adequate credit assessment is made before accepting an insurance contract from any counterparty. At the end of year, AED 72,233,471 (2013: AED 75,302,119) is due from the Company's largest policy holders. The Company considers these customers to be reputable and creditworthy.

Included in the Company's total due from policy holders are balances amounting to AED 49,162,258 (2013: AED 34,760,562) which are past due at the reporting date for which no allowance has been provided for, as there was no significant change in credit quality of these policy holders and the amounts are still considered recoverable.

Ageing of trade receivables

	2014 AED	2013 AED
Not past due	**57,352,850**	64,741,329
Past due but not impaired		
181 to 365 days	**43,858,780**	30,216,237
More than 365 days	**5,303,478**	4,544,325
	49,162,258	34,760,562
Past due and impaired		
More than 1 year but less than 2 years	**42,134**	-
More than 2 years but less than 3 years	**13,000**	61,307
More than 3 years	**6,936,985**	6,963,057
	6,992,119	7,024,364
Total amounts due from policy holders	**113,507,227**	106,526,255

Movement in the allowance for doubtful debts:

	2014 AED	2013 AED
Balance at beginning of the year	**7,024,364**	7,041,017
Amounts reversed	**(32,245)**	(16,653)
Balance at end of the year	**6,992,119**	7,024,364

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

13 Share capital

	2014 AED	2013 AED
Authorised, issue and fully paid:		
100,000,000 (2013: 100,000,000) ordinary shares of AED 1 each	**100,000,000**	100,000,000

14 Legal reserve

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

15 General reserve

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

16 Proposed dividends

For the year ended 31 December 2014, the Board of Directors has proposed a cash dividend of AED 40,000,000. The cash dividend is subject to approval by the Shareholders at the forthcoming Annual General Meeting.

Dividends, amounting to AED 40,000,000 for the year ended 31 December 2013, were approved by the Shareholders at the Annual General Meeting held on 18 March 2014.

17 Provision for end of service benefits

	2014 AED	2013 AED
Balance at the beginning of the year	**7,323,179**	6,294,849
Charge for the year	**543,022**	1,125,034
Paid during the year	**(404,195)**	(96,704)
Balance at the end of the year	**7,462,006**	7,323,179

18 Trade and other payables

	2014 AED	2013 AED
Due to policy holders	**26,471,944**	20,142,390
Due to insurance companies	**24,187,293**	23,616,170
Due to reinsurance companies	**49,856,084**	46,176,803
Premium reserve withheld	**15,794,896**	18,588,938
Commissions payable	**17,500,000**	17,500,000
Deferred income	**10,822,473**	17,521,792
Directors' remuneration payable (note 11)	**3,000,000**	3,000,000
Other payables	**12,679,397**	9,062,972
	160,312,087	155,609,065

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

19 Net investment and other income

	2014 AED	2013 AED
Net rental income (a)	**3,729,204**	3,620,177
Net interest income (b)	**4,943,598**	5,370,991
Dividend income (c)	**13,490,515**	9,747,194
Gain on disposal on investment at FVTPL (note 8.2)	**3,769,957**	2,309,686
Increase in fair value of investments at FVTPL (note 8.2)	**713,358**	10,826,265
Investment expenses	**(548,176)**	(349,653)
Other income	**839,344**	667,378
(Loss)/gain on disposal of property and equipment	**(614)**	33,718
	26,937,186	32,225,756

Details of major investment income are as follows:

Net rental income:		
Gross rental income	**4,387,315**	4,283,909
Less: building expenses	**(658,111)**	(663,732)
Net rental income (a)	**3,729,204**	3,620,177
Net interest income on:		
Bank deposits	**4,418,042**	3,388,174
Investments at amortised cost	**525,556**	1,982,817
Net interest income (b)	**4,943,598**	5,370,991

Notes to the financial statements
for the year ended 31 December 2014 (continued)

19 Net investment and other income (continued)

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

	2014 AED	2013 AED
Dividend income on:		
Investments at FVTOCI	**8,417,420**	6,949,648
Investments at FVTPL	**5,073,095**	2,797,546
Dividend income (c)	**13,490,515**	9,747,194

20 Profit for the year

Profit for the year is stated after charging:

	2014 AED	2013 AED
Staff costs	**22,009,640**	22,261,614
Depreciation of property and equipment (note 5)	**717,585**	562,582
Amortisation of intangible assets (note 7)	**1,643,257**	1,454,908
Foreign exchange loss	**2,811**	2,800

21 Basic and diluted earnings per share

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

	2014	2013
Profit for the year (AED)	**42,383,871**	48,811,568
Weighted average number of ordinary shares in issue throughout the year	**100,000,000**	100,000,000
Basic and diluted earnings per share (AED)	**0.42**	0.49

As of 31 December 2014 and 2013, the Company has not issued any instruments that have an impact on the basic and diluted earnings per share when exercised.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

22 Cash and cash equivalents

	2014 AED	2013 AED
Cash on hand	**15,443**	14,111
Current accounts	**159,689,205**	153,571,030
Term deposits	**61,159,255**	52,198,847
Bank balances and cash	**220,863,903**	205,783,988
Less: deposits with original maturities of greater than three months	**(61,159,255)**	(52,198,847)
	159,704,648	153,585,141

The interest rate on fixed deposits and current accounts with banks ranges between 0.9% and 2.75% (2013: 0.55% and 2.65%) per annum. All bank deposits are held in local banks in the United Arab Emirates.

23 Segment information

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units are managed separately because they require different approach, technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis.

The following summary describes the two main business segments:

- Underwriting of general insurance business – incorporating all classes of general insurance such as fire, marine, motor, medical, general accident and miscellaneous.
- Investments – incorporating investments in marketable equity securities and investment funds, development bonds, term deposits with banks and investment properties and other securities.

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

23 Segment information (continued)

23.1 Segment revenue and results

	Year ended 31 December 2014			Year ended 31 December 2013		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Direct revenues	**373,937,281**	**26,877,077**	**400,814,358**	326,284,842	18,620,972	344,905,814
Direct costs	**(323,389,649)**	**(1,491,979)**	**(324,881,628)**	(275,653,268)	(1,149,093)	(276,802,361)
Administrative expenses	**(25,132,282)**	-	**(25,132,282)**	(24,650,015)	-	(24,650,015)
Depreciation expense	**(717,585)**	-	**(717,585)**	(562,582)	-	(562,582)
Amortisation expense	**(1,643,257)**	-	**(1,643,257)**	(1,454,908)	-	(1,454,908)
Other expenses	**(7,607,823)**	-	**(7,607,823)**	(7,378,257)	-	(7,378,257)
Non-cash investment gains (net)	-	**713,358**	**713,358**	-	14,052,781	14,052,781
Segment profit	**15,446,685**	**26,098,456**	**41,545,141**	16,585,812	31,524,660	48,110,472
Other income	-	-	**838,730**	-	-	701,096
Profit for the year	**15,446,685**	**26,098,456**	**42,383,871**	16,585,812	31,524,660	48,811,568

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the year (2013: AED Nil).

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

23 Segment information (continued)

23.2 Segment assets and liabilities

	As at 31 December 2014			As at 31 December 2013		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Segment assets	**245,387,151**	**450,228,141**	**695,615,292**	240,750,525	425,727,972	666,478,497
Unallocated assets	-	-	**159,704,648**	-	-	153,585,141
Total assets	**245,387,151**	**450,228,141**	**855,319,940**	240,750,525	425,727,972	820,063,638
Segment liabilities	**439,515,848**	**1,410,444**	**440,926,292**	410,040,966	1,428,353	411,469,319
Unallocated liabilities	-	-	**8,589,575**	-	-	7,186,285
Total liabilities	**439,515,848**	**1,410,444**	**449,515,867**	410,040,966	1,428,353	418,655,604
Capital expenditure	**1,740,647**	-	**1,740,647**	1,883,980	-	1,883,980

Notes to the financial statements
for the year ended 31 December 2014 (continued)

23 Segment information (continued)

23.3 Revenue from underwriting departments

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

	2014 AED	2013 AED
Medical	**144,336,817**	136,563,468
Motor	**94,667,012**	70,204,159
Engineering	**32,357,032**	25,336,950
Fire	**22,678,909**	20,911,743
Workmen's compensation and third party liability	**12,846,043**	11,259,092
Others	**67,051,468**	62,009,430
	373,937,281	326,284,842

23.4 Geographical information

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

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

	Revenue 2014 AED	Revenue 2013 AED	**Total assets 2014 AED**	Total assets 2013 AED
United Arab Emirates	**390,287,485**	324,860,969	**849,042,108**	813,685,037
Other GCC countries	**1,488,394**	3,769,962	**4,031,890**	3,973,663
Others	**7,919,836**	16,274,883	**2,245,942**	2,404,938
	399,695,715	344,905,814	**855,319,940**	820,063,638

24 Contingent liabilities

	2014 AED	2013 AED
Bank guarantees	**12,855,959**	12,027,442

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

25 Insurance risk

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

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

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

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

Frequency and severity of claims

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

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

25 Insurance risk (continued)

Frequency and severity of claims (continued)

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set minimum limit of AED 300,000 for motor and AED 50,000 for medical in any one event. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

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

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

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

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

25 Insurance risk (continued)

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

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

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

Type of risk	Year ended 31 December 2014 Gross Loss Ratio	Year ended 31 December 2014 Net Loss Ratio	Year ended 31 December 2013 Gross Loss Ratio	Year ended 31 December 2013 Net Loss Ratio
Motor	58%	53%	88%	74%
Non-Motor	54%	77%	54%	77%

Process used to decide on assumptions

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

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

25 Insurance risk (continued)

Claims development process

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

Underwriting year	2010 AED'000	2011 AED'000	2012 AED'000	2013 AED'000	2014 AED'000	Total AED'000
Motor - Gross:						
At the end of the underwriting year	220,107	49,472	42,163	31,069	70,015	-
One year later	89,165	79,499	61,759	29,519	-	-
Two years later	78,115	84,445	70,837	-	-	-
Three years later	73,792	84,221	-	-	-	-
Four years later	333,065	-	-	-	-	-
Current estimate of cumulative claims	333,065	84,221	70,837	29,519	70,015	587,657
Cumulative payments to date	(329,241)	(79,024)	(59,595)	(25,811)	(39,884)	(533,555)
Liability recognised in the statement of financial position	**3,824**	**5,197**	**11,242**	**3,708**	**30,131**	**54,102**
Non-motor - Gross:						
At the end of the underwriting year	500,597	59,915	81,111	67,406	43,542	-
One year later	115,858	55,145	154,629	146,777	-	-
Two years later	117,716	59,037	154,330	-	-	-
Three years later	120,574	69,777	-	-	-	-
Four years later	280,502	-	-	-	-	-
Current estimate of cumulative claims	280,502	69,777	154,330	146,777	43,542	694,928
Cumulative payments to date	(246,697)	(54,069)	(153,066)	(117,981)	(30,333)	(602,146)
Liability recognised in the statement of financial position	**33,805**	**15,708**	**1,264**	**28,796**	**13,209**	**92,782**

25 Insurance risk (continued)

Concentration of insurance risk

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

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

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

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

Type of risk	**Year ended 31 December 2014**		Year ended 31 December 2013	
	Gross AED	**Net AED**	Gross AED	Net AED
Motor				
UAE	**9,695,899,853**	**9,507,621,273**	14,491,551,092	13,955,715,762
Non-Motor				
UAE	**86,075,607,100**	**7,556,210,770**	65,045,085,087	2,822,616,008
GCC countries	**4,248,952,521**	**133,443,966**	9,038,773,785	987,510,981
	90,324,559,621	**7,689,654,736**	74,083,858,872	3,810,126,989
Grand total	**100,020,459,474**	**17,197,276,009**	88,575,409,964	17,765,842,751

25 Insurance risk (continued)

Sensitivity of underwriting profit and losses

The contribution by the insurance operations to the profit of the Company stood at 36.44% for the year ended 31 December 2014 (2013: 33.98%). The Company does not foresee any adverse change in the contribution of insurance profit due to the following reasons:

- The Company has an overall risk retention level in the region of 17.19% (2013: 20.06%) and this is mainly due to low retention levels in Engineering and Fire and Accident lines. However, for other lines of business the Company is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

- The Company has net commission earnings of around 14.98% (2013: 15.51%) of the underwriting income predominantly from the reinsurance placement which remains as a comfortable source of income.

Because of low risk retention of 54.78% (2013: 61.34%) of the volume of the business and limited exposure in high retention areas like Motor, the Company is comfortable to maintain an overall net loss ratio in the region of 67.82% (2013: 76.71%) and does not foresee any serious financial impact in the insurance profit.

26 Financial instruments

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

26.1 Capital risk management

The Company's objectives when managing capital are:

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

26 Financial instruments (continued)

26.1 Capital risk management (continued)

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

	2014 AED	2013 AED
Minimum regulatory capital (a)	**100,000,000**	100,000,000
Share capital	**100,000,000**	100,000,000
Total equity	**405,804,073**	401,408,034

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

26.2 Significant accounting policies

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

26 Financial instruments (continued)

26.3 Categories of financial instruments

	2014 AED	2013 AED
Financial assets		
Investments designated at FVTOCI	**177,392,770**	176,456,409
Investments designated at FVTPL	**116,066,116**	91,548,315
Investments at amortised cost	**3,610,000**	13,524,400
Statutory deposit	**10,000,000**	10,000,000
Trade and other receivables	**118,834,349**	109,967,934
Bank balances and cash	**220,863,903**	205,783,988
Total	**646,767,138**	607,281,046
Financial liabilities		
Trade and other payables	**160,312,087**	155,609,065

26.4 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Company. The Company is exposed to interest rate risk on its investment in bonds and term deposits that carry both fixed and floating interest rates which are detailed in Notes 8 and 22, respectively.

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

Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2014 would increase/decrease by AED 200 thousand (2013: AED 600 thousand). The Company's sensitivity to interest rates had decreased mainly due to lower bank deposits during the current year.

26 Financial instruments (continued)

26.5 Foreign currency risk management

The Company could incur foreign currency risk on transactions that are denominated in a currency other than AED. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2014 AED	2013 AED	**2014 AED**	2013 AED
US Dollars	**4,353,027**	6,456,430	**14,358,098**	23,280,173
Oman Riyals	**8,126**	8,126	**3,481**	3,505
Pound Sterling	**135,555**	153,436	**110,813**	735,073
Euro	**1,089,648**	92,582	**1,283,300**	665,367
	5,586,356	6,710,574	**15,755,692**	24,684,118

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

(a) there is AED 1 thousand (2013: AED 1 thousand) net revaluation gain/loss on the Omani Riyal outstanding balances.
(b) there is AED 4 thousand (2013: AED 116 thousand) net revaluation gain/loss on the Pound Sterling outstanding balances.
(c) there is AED 38 thousand (2013: AED 114 thousand) net revaluation gain/loss on the Euro outstanding balances.

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

26.6 Market price risk management

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

26 Financial instruments (continued)

26.6 Market price risk management (continued)

Equity price risk sensitivity analysis

At the end of the reporting period, if the equity prices are 5% higher/lower as per the assumptions mentioned below and all the other variables were held constant,:

- The Company's profit would increase/(decrease) by AED 1.4 million (2013: AED Nil) as a result of the Company's portfolio classified under fair value through profit and loss (FVTPL).
- The Company's equity reserves would increase/(decrease) by AED 8.8 million (2013: increase/(decrease) by AED 8.8 million) as a result of the Company's portfolio classified under fair value through other comprehensive income (FVTOCI).

26.7 Credit risk management

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

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

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

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

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

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

26 Financial instruments (continued)

26.7 Credit risk management (continued)

At 31 December 2014 and 2013, virtually all of the deposits were placed with 4 banks. Management is confident that this concentration of liquid assets at year end does not result in any credit risk to the Company as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

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

26.8 Liquidity risk management

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

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

	Carrying amount AED	0-180 days AED	181-365 days AED
Financial liabilities at 31 December 2014			
Trade and other payables	**160,312,087**	**160,312,087**	-
Financial liabilities at 31 December 2013			
Trade and other payables	155,609,065	155,609,065	-

26.9 Fair value of financial assets and liabilities

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

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

26 Financial instruments (continued)

26.9 Fair value of financial assets and liabilities (continued)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2014				
Investments at FVTOCI	**177,392,770**	**-**	**-**	**177,392,770**
Investments at FVTPL	**27,932,806**	**-**	**88,133,310**	**116,066,116**
	205,325,576	**-**	**88,133,310**	**293,458,886**
31 December 2013				
Investments at FVTOCI	176,456,409	-	-	176,456,409
Investments at FVTPL	-	-	91,548,315	91,548,315
	176,456,409	-	91,548,315	268,004,724

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the year:

	2014 AED	2013 AED
Opening balance	**91,548,315**	76,418,064
Investments purchased during the period/year	**59,532,646**	82,293,881
Investments disposed during the period/year	**(65,282,990)**	(77,989,895)
Net change in fair value	**2,515,339**	10,826,265
Closing balance	**88,133,310**	91,548,315

Notes to the financial statements
for the year ended 31 December 2014 (continued)

26 Financial instruments (continued)

26.9 Fair value of financial assets and liabilities (continued)

Set out below is a comparison of the carrying amount and fair values of financial instruments which are not carried at fair value as at 31 December 2014:

	2014		2013	
	Fair value AED	Carrying amount AED	Fair value AED	Carrying amount AED
Financial assets				
Statutory deposit	**10,000,000**	**10,000,000**	10,000,000	10,000,000
Investments at amortised cost	**3,610,000**	**3,610,000**	13,524,400	13,524,400
Insurance and other receivables	**118,834,349**	**118,834,349**	109,967,934	109,967,934
Bank and cash	**220,863,903**	**220,863,903**	205,783,988	205,783,988
	353,308,252	**353,308,252**	339,276,322	339,276,322
Financial liabilities				
Insurance and other payables	**160,312,087**	**160,312,087**	155,609,065	155,609,065

27 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 10 February 2015.