AL DHAFRA INSURANCE COMPANY P.S.C.

Reports and financial statements for the year ended 31 December 2015

AL DHAFRA INSURANCE COMPANY P.S.C.

Reports and financial statements for the year ended 31 December 2015

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
	Mr. Sultan Naser Al Suweidi
General Manager	**Mr. Kamal Sartawi**
Auditors	**Deloitte & Touche (M.E.)**

BOARD OF DIRECTORS (continued)

HEAD OFFICE

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AL AIN BRANCH

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THE BOARD OF DIRECTORS' 36th ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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 36th Annual Report regarding the business activities and financial position of the Company for the year ended 31 December 2015 as well as the financial statements for the year ended on 31 December 2015 along with Auditor's Report.

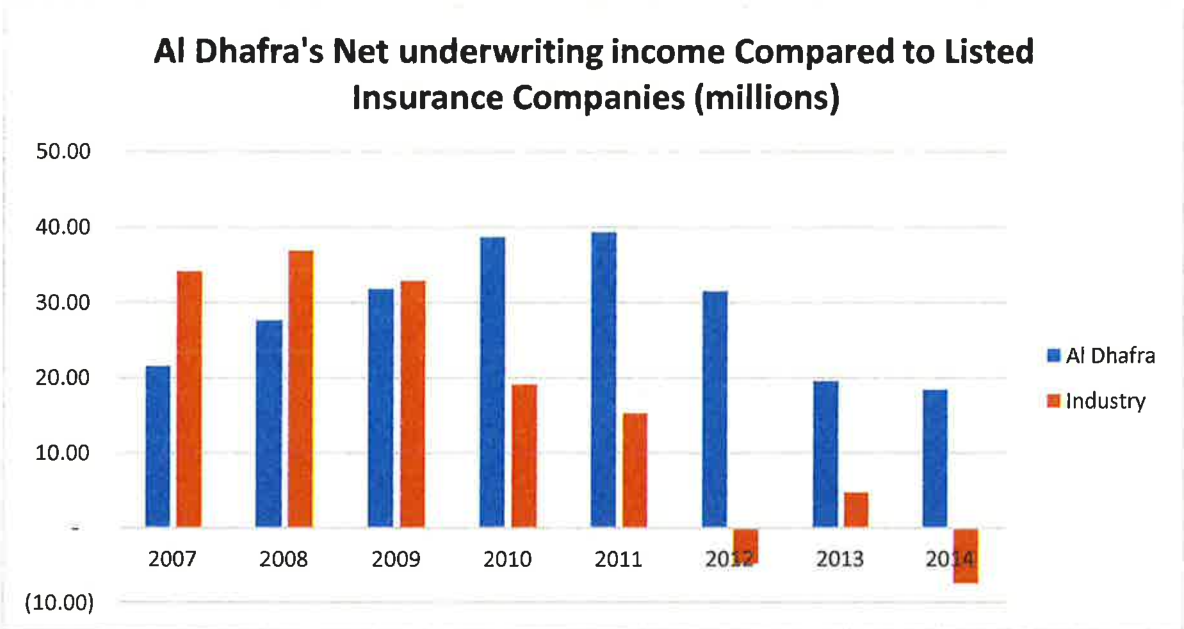
At the outset, the Board of Directors would like to express its appreciation and utmost respect to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates and His Brothers, the Rulers of other Emirates and His Highness Sheikh Mohamad Bin Zayed Al Nahyan, Crown Prince 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.

The year 2015 was an exceptional year for the U.A.E. insurance market due to exceptional developments in the region driven by the unprecedented fall in oil prices combined with other factors of the current regional situations. Going by these trends, the Company's performance was also affected during 2015.

Therefore, before taking a look at the 2015 affairs, the Board of Directors would like to briefly take you through what the Company has achieved during the period from 2007 to 2014.

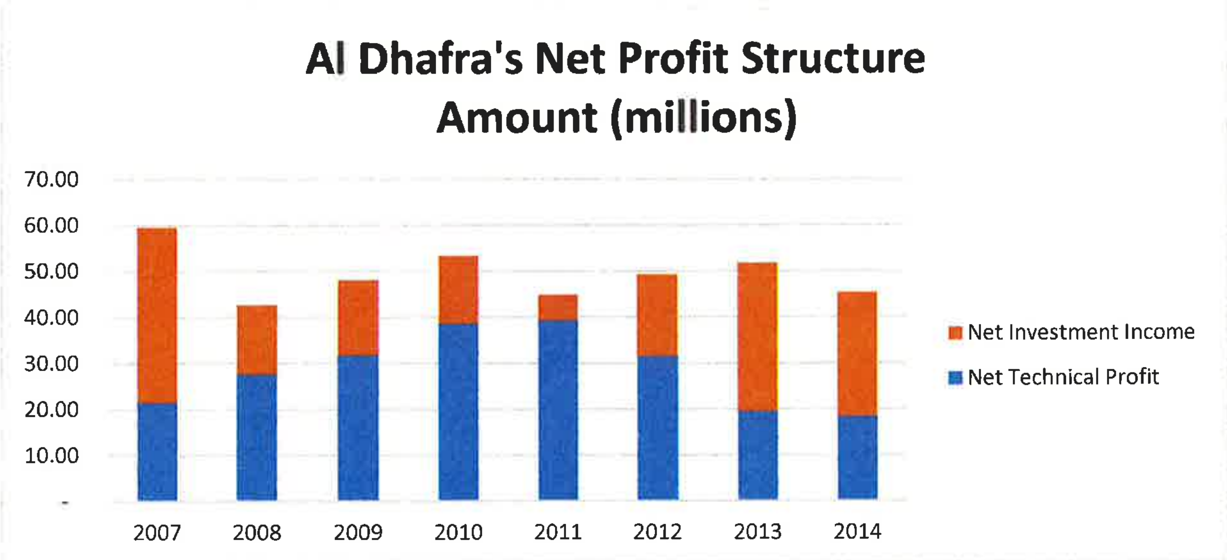
The Company showed a stable growth in its gross written premium since 2007, which was the direct result of the well thought strategy with clear objectives to reduce the dependence on some major clients and to achieve a sustainable growth in premium with quality underwriting. Since then, the Company strengthened its branch operations and opened several point of sales (POS) to issue online policies at key locations within the Emirate of Abu Dhabi to increase its market penetration, and currently, the Company is operating through 13 point of sales, 4 branch offices and the head office.

In addition to the growth in the premium the strong underwriting practices adopted by the Company translated in its positive net underwriting profits over several years while the overall average of listed players in industry were showing varied results. The graph below highlights this phenomena.

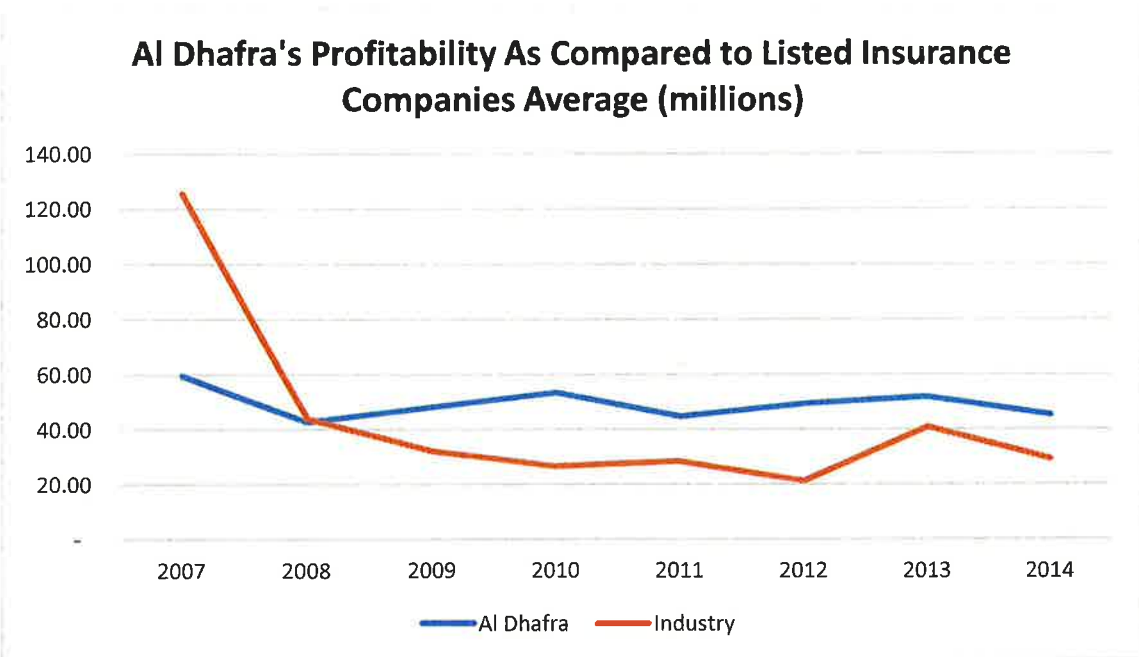


The above graph represents the total average of the of the companies listed on ADX and DFM

The Company has continuously generated stable profitability with a major contribution made by its core insurance operations and supported by its investment income. As far as the investment strategy is concerned, the Company is following a very conservative policy towards investment which ultimately supported the bottom line result. However, the investment income was least effected by prevailing market conditions as compared to other investors, as the market dynamics cannot be avoided completely. The graph below is showing the contribution made to net profitability by insurance operations and by investments.



While comparing the Company's performance with the overall industry, the company has performed above the average of insurance companies listed on ADX and DFM which can be seen in the following graph



The above graph represents the total average of the of the companies listed on ADX and DFM

The above strong performance enabled the Company not only to pay healthy dividends but also supported the ultimate objective to increase the shareholders' wealth. Since 2007, the Company has paid AED 331 million as dividends of which AED 306 million was cash dividends. Furthermore, the Company has secured its position in top five performers in respect to return on Shareholders' equity by registering yearly average return of 16.57% since 2007.

Before commenting on the year 2015, it is worth mentioning that the Company's operations are based in UAE and the UAE's economy is sensitive to oil prices, the downward episode in oil prices continued in the year under review. Oil prices further declined by 30% from the 2014 year end level.

The decline in oil prices not only effected the pace in economic activity but also negatively impacted the performance of local capital markets. In addition to this, the negative trends in the capital markets further deepened by the recent decision made by US federal reserves to increase the interest rate, as at 31 December 2015 a decrease of 4.89% and 16.51% was recorded in ADI and DFM index respectively as compared to the FY2014 closing. As the Company's major chunk of investment is within the local market above factors resulted in depressed market values of the equities at the year end, thus resulted in reduced net investment income of the Company in addition to negative net under writing income caused by the factors described below.

Insurance industry registered a growth in gross written premium which is mainly due to the additional premium added by the Dubai's mandatory health scheme. If the insurance industry's dynamics are critically analysed, approximately 60% to 66% of the total gross written premium is contributed by the vehicle and health insurance segment alone (percentage figures are based on the annual data published by the insurance authority), premium development pattern of Al Dhafra is not exception to the market. These two dominant segments of the market are known for unattractive results, but till 2014, Al Dhafra made reasonable returns by maintaining viable premium levels and by having in-house claims management department for medical and separate internal audit department for vehicle insurance to have more strict controls to avoid abuses and to service only the legitimate claims.

During the year 2015, the halt in the growth of premium in other more profitable segments of the market, the fierce price competition started and other market players brought the premium level at its lowest as compared to the continuous increase in servicing cost specifically for motor and health insurance. Although the Company maintained the profitability on other segments of its business but the level of underwriting losses made in these two segments eroded the overall net underwriting income for the Company.

A strategic plan has been made with the following corner stones

- The medical and motor portfolio is being shed and loss making accounts are either dropped out of the portfolio or accepted only at the rate which the company deemed appropriate with the given claims history, during FY2015, policies of worth approximately AED 45 million premium were declined based on their claims history.
- More efforts and resources are being deployed to increase premium volume generated from non-medical and non-motor portfolios.
- Further reinsurance protection is concluded to avoid such sort of underwriting losses in future.

THE BOARD OF DIRECTORS' 36th ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Company's performance during the year as appearing in the financial statements are summarised as below:

- The gross insurance premium increased to AED 354,042,643 as compared to AED 346,689,456 in 2014, an increase of 2.12%
- The premiums retained by the Company reached AED 233,729,752 as compared to AED 227,037,079 for the year 2014, an increase of 2.95%

Claims paid:

The gross claims paid by the Company to its customers during the year under report is AED 264,703,847 as compared to AED 189,933,675 an increase of 39.37%.

Net claims paid during the year under report is AED 218,695,428 as compared to AED 153,977,821, that is an increase of 42%.

Technical Reserves:

The technical reserves at the end of the year under review has reached AED 241,025,597 as compared to AED 162,955,125 in the last year. It may be noted that the technical reserves are now equal to 103.12% of the retained premiums.

Figures relating to Different classes of Insurance

Gross written Premium	**2015**	**2014**
	AED	**AED**
Marine & Aviation Insurance	43,364,088	33,731,423
Fire & General Accidents Insurance	310,678,555	312,958,033
Total	**354,042,643**	**346,689,456**

Gross Paid Claims	**2015**	**2014**
	AED	**AED**
Marine & Aviation Insurance	16,816,278	6,234,339
Fire & General Accidents Insurance	247,887,569	183,699,336
Total	**264,703,847**	**189,933,675**

Technical Reserves	**2015**	**2014**
	AED	**AED**
Marine & Aviation Insurance	2,325,570	757,552
Fire & General Accidents Insurance	238,700,027	162,197,573
Total	**241,025,597**	**162,955,125**

Investments:

The total investments of the Company stands at an amount of AED 353,461,227 at the end of 2015 as against AED 379,068,887 at the end of 2014 showing a decrease of 6.76%. The investment income during the year stood at AED 16,091,435 as compared to AED 26,937,186 in the last year, showing a decrease of 40.26%.

It is worth mentioning that most of the investments of 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.

Administrative and other operating expenses:

The Administrative and other operating expenses during the year under report reached an amount of AED 33,751,881 against an amount of AED 35,100,947 in the last year, a decrease of 3.84%

(Loss)/profit for the year:

The loss of the Company from insurance and investment activities for the year under review is AED 61,434,850 against a profit of AED 42,383,871 achieved last year.

Company Branches and Offices:

The Company have branches and point of sales in most residential areas and service centers in Abu Dhabi, Al Ain, Baniyas, Al Rahba, Musaffah and in Traffic Dept offices in addition to branches in Dubai and Sharjah.

Dividend Distribution

As the Company has not made any profit during the year 2015, there is no dividend distribution.

Plan for the year 2016

The Company will continue its efforts to improve the business results irrespective of the on going economic conditions through better controls and aiming at clearing the unprofitable business and concentrate more on non-medical and non-motor portfolios. Further efforts are being taken to arrange additional reinsurance protection for motor and medical portfolios.

THE BOARD OF DIRECTORS' 36th ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015.

2- To approve the Auditor's Report for 2015.

3- To approve the financial statements of the Company for the year ended 31 December 2015.

4- To approve that there is no dividend distribution.

5- To discharge the Chairman and Members of the Board of Directors from liabilities related to the performance of their duties during the year under review.

6- To discharge the Auditors from liabilities related to the performance of their duties during the year under review.

7- To appoint external auditors for the year 2016 and determine their fees.

8- To elect the Board of Directors for the next three years according to Article 17 & 18 of the Articles of Association of the Company.

Conclusion:

The Board of Directors would like to praise Company's clients, reinsurance companies and brokers for their strong support and confidence in Al Dhafra and also the persistent efforts of the management and staff of the Company who did their best to serve the Company.

BOARD OF DIRECTORS

16 February 2016

Deloitte.

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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 2015, 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 their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the requirements of the Financial Regulations issued by the Insurance Authority, 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 of Al Dhafra Insurance Company P.S.C. at 31 December 2015, 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

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Company has maintained proper books of account;

iv) the financial information included in the report of the Directors is consistent with the books of account of the Company;

v) as disclosed in note 8.2 to the financial statements, the Company has purchased or invested in shares during the financial year ended 31 December 2015;

vi) note 11 to the financial statements discloses material related party transactions and balances and the terms under which they were conducted; and

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007 concerning the establishment of the Insurance Authority and organisation of its operations or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and

viii) Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Insurance Companies and as discussed in note 3.1 to the financial statements, the Company is in the process of complying with the requirements of the Financial Regulations issued by the Insurance Authority especially pertaining to Article (1) of Section (7) and Appendix (1) relating to the presentation of financial statements and the disclosures in respect of the technical provisions and solvency margin as the actuary report has not been issued as of the date of approval of these financial statements.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration Number 717
16 February 2016

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P.O. Box: 990
Deloitte & Touche

Statement of financial position
as at 31 December 2015

	Notes	2015 AED	2014 AED
ASSETS			
Non-current assets			
Property and equipment	5	1,683,823	1,521,170
Investment properties	6	82,000,000	82,000,000
Intangible assets	7	2,929,291	3,794,279
Investments designated at fair value through other comprehensive income (FVTOCI)	8.2	163,402,610	177,392,770
Investments at amortised cost	8.2	6,580,278	3,610,000
Statutory deposit	9	10,000,000	10,000,000
Total non-current assets		266,596,002	278,318,219
Current assets			
Investments designated at fair value through profit or loss (FVTPL)	8.2	101,478,339	116,066,116
Reinsurance contract assets	10	132,151,992	118,786,649
Trade and other receivables	12	122,499,066	118,834,349
Prepayments		2,133,026	2,450,704
Bank balances and cash	22	207,231,144	220,863,903
Total current assets		565,493,567	577,001,721
Total assets		832,089,569	855,319,940

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

Statement of financial position
as at 31 December 2015 (continued)

	Notes	2015 AED	2014 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		(28,580,191)	(14,151,046)
Retained earnings		23,520,269	124,955,119
Total Shareholders' equity		289,940,078	405,804,073
Non-current liability			
Provision for end of service benefits	17	7,547,240	7,462,006
Current liabilities			
Insurance contract liabilities	10	373,177,589	281,741,774
Trade and other payables	18	161,424,662	160,312,087
Total current liabilities		534,602,251	442,053,861
Total liabilities		542,149,491	449,515,867
Total equity and liabilities		832,089,569	855,319,940

.... 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 2015

	Notes	2015 AED	2014 AED
Gross written premium		**354,042,643**	346,689,456
Change in unearned premium		**(5,431,964)**	(26,453,168)
Insurance premium revenue		**348,610,679**	320,236,288
Reinsurance premium ceded		**(120,312,891)**	(119,652,377)
Change in reinsurance portion of unearned premium		**(689,355)**	(2,199,607)
Net reinsurance premium ceded		**(121,002,246)**	(121,851,984)
Net insurance premium revenue		**227,608,433**	198,384,304
Gross claims paid		**(264,703,847)**	(189,933,675)
Change in outstanding claims provision		**(86,003,850)**	434,754
Gross claims incurred		**(350,707,697)**	(189,498,921)
Reinsurance share of claims paid		**46,008,419**	35,955,854
Change in reinsurance share of outstanding claims		**14,054,697**	(1,868,030)
Reinsurance share of claims incurred		**60,063,116**	34,087,824
Net claims incurred		**(290,644,581)**	(155,411,097)
Gross commission earned		**38,859,791**	27,247,825
Less: commission incurred		**(19,598,047)**	(19,673,400)
Net commission earned		**19,261,744**	7,574,425
Net underwriting (loss)/income		**(43,774,404)**	50,547,632
Net investment and other income	19	**16,091,435**	26,937,186
Administrative expenses		**(26,628,839)**	(25,132,282)
Other operating expenses		**(7,123,042)**	(9,968,665)
(Loss)/profit for the year	20	**(61,434,850)**	42,383,871
Basic and diluted (loss)/earnings per share	21	**(0.61)**	0.42

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

Statement of comprehensive income
for the year ended 31 December 2015

	Notes	2015 AED	2014 AED
(Loss)/profit for the year		**(61,434,850)**	42,383,871
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
(Decrease)/increase in fair value of investments at FVTOCI	**8.2**	**(14,429,145)**	2,005,036
Other comprehensive (loss)/income		**(14,429,145)**	2,012,168
Total comprehensive (loss)/income for the year		**(75,863,995)**	44,396,039

Statement of changes in equity
for the year ended 31 December 2015

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
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 1 January 2015	100,000,000	50,000,000	145,000,000	(14,151,046)	124,955,119	405,804,073
Loss for the year	-	-	-	-	(61,434,850)	(61,434,850)
Other comprehensive loss for the year	-	-	-	(14,429,145)	-	(14,429,145)
Total comprehensive loss for the year	-	-	-	(14,429,145)	(61,434,850)	(75,863,995)
Dividends (note 16)	-	-	-	-	(40,000,000)	(40,000,000)
Balance at 31 December 2015	**100,000,000**	**50,000,000**	**145,000,000**	**(28,580,191)**	**23,520,269**	**289,940,078**

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

Statement of cash flows
for the year ended 31 December 2015

	Notes	2015 AED	2014 AED
Operating activities			
(Loss)/profit for the year		**(61,434,850)**	42,383,871
Adjustments for:			
Depreciation of property and equipment	5	**832,141**	717,585
Amortisation of intangible assets	7	**1,450,076**	1,643,257
Investment income		**(16,683,526)**	(26,098,456)
(Gain)/loss on disposal of property and equipment	19	**(28,581)**	614
Provision for end of service benefits	17	**582,162**	543,022
Operating cash flows before movements in working capital		**(75,282,578)**	19,189,893
(Increase)/decrease in reinsurance contract assets		**(13,365,343)**	4,067,637
Increase in insurance contract liabilities		**91,435,815**	26,018,414
Increase in trade and other receivables		**(2,611,906)**	(8,944,078)
Decrease/(increase) in prepayments		**317,678**	(486,457)
Increase in trade and other payables		**1,112,575**	7,703,022
Cash from operating activities		**1,606,241**	47,548,431
End of service benefits paid	17	**(496,928)**	(404,195)
Net cash from operating activities		**1,109,313**	47,144,236
Investing activities			
Proceeds from disposal of:			
Investments designated at FVTOCI	8.2	**-**	1,253,806
Investments designated at FVTPL	8.2	**97,339,145**	84,322,886
Investment at amortised cost		**-**	9,914,400
Property and equipment		**30,750**	27,801
Intangible assets		**8,000**	-
Interest received		**3,526,663**	5,021,261
Dividends received	19	**9,858,218**	13,490,515
Rental income received	19	**4,268,507**	3,729,204
Payments for purchase of:			
Investments at FVTOCI	8.2	**(438,985)**	(177,999)
Investments at FVTPL	8.2	**(86,912,813)**	(104,357,372)
Property and equipment	5	**(996,963)**	(1,093,160)
Intangible assets	7	**(593,088)**	(647,487)
Payment of investment expenses	19	**(831,506)**	(548,176)
Movement in bank deposits with original maturities of greater than three months		**(100,764,701)**	(8,960,408)
Net cash (used in)/generated from investing activities		**(75,506,773)**	1,975,271
Financing activities			
Dividends paid		**(40,000,000)**	(40,000,000)
Directors' remuneration paid		**-**	(3,000,000)
Net cash used in investing activities		**(40,000,000)**	(43,000,000)
(Decrease)/increase in cash and cash equivalents		**(114,397,460)**	6,119,507
Cash and cash equivalents at the beginning of the year		**159,704,648**	153,585,141
Cash and cash equivalents at the end of year	22	**45,307,188**	159,704,648

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

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.

The UAE Federal Law No. 2 of 2015 ("Companies Law") has come into force on 1 July 2015. The Company has twelve months from the effective date of the Companies Law to comply with its provisions ("the transitional provisions") and the Company has availed of these transitional provisions.

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, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these financial statements. The application of these revised and new 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
Annual Improvements to IFRSs 2010 - 2012 Cycle: IFRS 2 *Share-based Payment* – Amendment on Definition of vesting condition	The amendment is to clarify the definition of vesting condition and market condition to ensure the consistent classification of conditions attached to a share-based payment. It also adds definitions for 'performance condition' and 'service condition' which were previously included as part of the definition of 'vesting condition'. Specifically, • For 'market condition', the amendment indicates that it is a performance condition that relates to the market price or value of the entity's equity instruments or the equity instruments of another entity in the same group. A market condition requires the counterparty to complete a specified period of service. • For 'performance condition', the amendment specifies that the period over which the performance target is achieved should not extend beyond the service period and that it is defined by reference to the entity's own operations or activities of another entity in the same group. The amendment requires prospective application, i.e. entities should apply the amendment prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014.

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 (continued)

New and revised IFRSs	Summary of requirements
Annual Improvements to IFRSs 2010 - 2012 Cycle: IFRS 3 *Business Combinations* – Amendment on Accounting for contingent consideration in a business combination	The amendment clarifies that contingent consideration should be measured at fair value at each reporting date, irrespective of whether or not the contingent consideration falls within the scope of IFRS 9 or IAS 39. Changes in fair value (other than measurement period adjustments as defined in IFRS 3) should be recognised in profit and loss. The amendment to IFRS 3 requires prospective application, i.e. entities should apply the amendment prospectively to business combinations for which the acquisition date is on or after 1 July 2014.
Annual Improvements to IFRSs 2010 - 2012 Cycle: IFRS 8 *Operating Segments* – Amendments on (i) Disclosure about judgements involved in deciding whether or not to aggregate operating segments and (ii) When reconciliation of the total of the reportable segments' assets to the entity's assets is required	The amendment: (i) requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a brief description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments share similar economic characteristics; and (ii) clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if information about the amount of the segment assets are regularly provided to the chief operating decision-maker.
Annual Improvements to IFRSs 2010 - 2012 Cycle: IFRS 13 *Fair Value Measurement* – Amendment on Short-term receivables and payables	The amendment to the basis for conclusions of IFRS 13 clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis for conclusions.
Annual Improvements to IFRSs 2010 - 2012 Cycle: IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* – Amendment on Revaluation method – proportionate restatement of accumulated depreciation and amortisation	The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses

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 (continued)

New and revised IFRSs	Summary of requirements
Annual Improvements to IFRSs 2010 - 2012 Cycle: IAS 24 *Related Party Disclosures* – Amendment on Key management personnel	The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required.
Annual Improvements to IFRSs 2011 - 2013 Cycle: IFRS 3 *Business Combinations* – Amendment on Scope exceptions for joint ventures	The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of joint arrangement in the financial statements of the joint arrangement itself.
Annual Improvements to IFRSs 2011 - 2013 Cycle: IFRS 13 *Fair Value Measurement* – Amendment on Scope of paragraph 52 (portfolio exception)	The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.
Annual Improvements to IFRSs 2011 - 2013 Cycle: IAS 40 *Investment Property* – Amendment on Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property	The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring an investment property must determine whether: (a) the property meets the definition of investment property in accordance with IAS 40; and (b) the transaction meets the definition of a business combination in accordance with IFRS 3. An entity should apply the amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts the amendment. Consequently, accounting for acquisitions of investment property in prior periods should not be restated. However, an entity may choose to apply the amendment to individual acquisitions of investment property that occurred prior to the beginning of the first annual period occurring on or after the effective date (i.e. 1 July 2014) if and only if information needed to apply the amendment to earlier transactions is available to the entity.

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 (continued)

New and revised IFRSs	Summary of requirements
Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*	The amendments to IAS 19 clarify the accounting treatment for contributions from employees or third parties to a defined benefit plan. According to the amendments, discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows: • If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they affect the remeasurement of the net defined benefit liability (asset). • If contributions are linked to services, they reduce service costs. If the amount of contribution is dependent on the number of years of service, the entity should reduce service cost by attributing it to the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 (for the gross benefits). If the amount of contribution is independent of the number of years of service, the entity is permitted to either reduce service cost in the period in which the related service is rendered, or reduce service cost by attributing the contributions to the employees' periods of service in accordance with IAS 19 paragraph 70. The amendment requires retrospective application.

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 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
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
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.	Effective date deferred indefinitely
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
2015 Amendments to the IFRS for SMEs	1 January 2017
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

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 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.*	1 January 2018

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.

The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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*	1 January 2018

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.

IFRS 16 *Leases*	1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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.

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)

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 2018. The application of IFRS 15 and IFRS 9 (2014) 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 respectively. 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 3.12 and 3.13 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. 2 of 2015 and Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of UAE.

On 28 December 2014, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for insurance companies and were then subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The insurers are given a grace period of between one to three years to comply with the Financial Regulations, depending on the section involved.

The Company still in the process of implementing remaining requirements to comply with the Financial Regulations and Circular No.(1) of 2016 concerning the 2015 annual reporting requirements for insurance companies operating in the UAE. This mainly includes preparation of the financial statements and disclosures based on Appendix (1) of the Financial Regulations and disclosures in respect of the technical provisions and solvency margin as the actuary report has not been issued as of the date of approval of these financial statements. The current technical provisions and solvency margins calculations are based on the in house actuary estimates.

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.

3 Summary of significant accounting policies (continued)

3.2 Basis of preparation (cotninued)

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.

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).

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

Recognition and measurement (continued)

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

For all these insurance contracts, premiums are recognised as revenue (earned premiums) based on 60% of the annual premiums written for all insurance classes except marine which are calculated at 75% and Motor at 55%. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown in the profit and loss before deduction of commission.

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

Reinsurance contracts held

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

Insurance contract liabilities

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

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

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

Deferred policy acquisition costs

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

Salvage and subrogation reimbursements

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

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs. 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.

3.4 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.

3 Summary of significant accounting policies (continued)

3.4 Revenue recognition

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.

3.6 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

3 Summary of significant accounting policies (continued)

3.6 Property and equipment (continued)

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 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.

3.8 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.

3.9 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.

3 Summary of significant accounting policies (continued)

3.9 Impairment of non-financial assets (continued)

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.

3.10 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.

3.11 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.

3.12 Financial assets

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

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

3 Summary of significant accounting policies (continued)

3.12 Financial assets (continued)

3.12.1 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)'.

3.12.2 Financial assets at amortised cost and the effective interest method

Cash and cash equivalents

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

Insurance receivables

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

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 3.12.3 below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see note 3.12.5 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 Summary of significant accounting policies (continued)

3.12 Financial assets (continued)

3.12.3 Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortised cost criteria described in note 3.12.2, 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 3.12.2) 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 3.12.4 below.

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

3.12.4 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 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 Summary of significant accounting policies (continued)

3.12 Financial assets (continued)

3.12.5 Impairment of financial assets at amortised cost

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

Objective evidence of impairment could include:

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

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

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

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

3.12.6 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 Summary of significant accounting policies (continued)

3.13 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.

3.13.1 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.

3.13.2 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.

3.13.3 Derecognition of financial liabilities

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

3.14 Dividend distribution

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

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.

4.3 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 2015 is AED 6,957,479 (2014: AED 6,992,119).

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. During the year the management assessed that the reversal of investments at amortised cost for 2015 is AED 2,970,278 (2014: AED Nil).

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

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 2015 (continued)

5 Property and equipment

	Furniture and fittings AED	Motor vehicles AED	Computer equipment and accessories AED	Total AED
Cost				
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)
1 January 2015	2,721,379	1,215,000	1,941,231	5,877,610
Additions	441,995	90,500	464,468	996,963
Disposals	(141,008)	(45,100)	(47,736)	(233,844)
31 December 2015	**3,022,366**	**1,260,400**	**2,357,963**	**6,640,729**
Accumulated depreciation				
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)
1 January 2015	2,510,181	764,594	1,081,665	4,356,440
Charge for the year	226,643	224,381	381,117	832,141
Disposals	(141,008)	(45,100)	(45,567)	(231,675)
31 December 2015	**2,595,816**	**943,875**	**1,417,215**	**4,956,906**
Carrying amount				
31 December 2015	**426,550**	**316,525**	**940,748**	**1,683,823**
31 December 2014	211,198	450,406	859,566	1,521,170

6 Investment properties

	Land AED	Abu Dhabi building AED	Al Ain building AED	Total AED
Fair value as at 31 December 2014 and 2015	**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, an independent valuer not related to the Company, who have determined the fair values of the land and buildings to be AED 82 million as at 31 December 2014. 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.

6 Investment properties

Management believes that the net impact due to the changes to the key assumptions used is not material and accordingly there is no change in the fair value of the investment properties as at 31 December 2015. In estimating the fair value of the properties, the highest and best use of the property is considered as their current use. Investment properties as at 31 December 2015 and 2014 have been classified under 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 2015 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

Computer software	2015 AED	2014 AED
Cost		
1 January	**8,770,504**	9,271,474
Additions	**593,088**	647,487
Disposal	**(29,907)**	(1,148,457)
31 December	**9,333,685**	8,770,504
Accumulated amortisation		
1 January	**4,976,225**	4,476,337
Charge for the year	**1,450,076**	1,643,257
Eliminated on disposal	**(21,907)**	(1,143,369)
31 December	**6,404,394**	4,976,225
Carrying amount		
31 December	**2,929,291**	3,794,279

8 Investments

8.1 Composition of investments

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

	2015 AED	2014 AED
Investments at FVTOCI		
Quoted UAE equity securities	**163,402,610**	177,392,770
Investments at FVTPL		
Investment funds	**101,478,339**	116,066,116
Investments at amortised cost		
Investment funds	**6,580,278**	3,610,000
Current	**-**	-
Non-current	**6,580,278**	3,610,000
	6,580,278	3,610,000

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 11,779,722 as at 31 December 2015 (2014: AED 14,750,000). During the year the company assessed the impairment of the investment at amortised cost, after which a reversal of AED 2,970,278 (2014: AED Nil) was made during the year.

The geographical distribution of investments is as follows:

	2015 AED	2014 AED
Within UAE	**271,461,227**	297,068,886
Outside UAE	**-**	-
	271,461,227	297,068,886

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 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 1 January 2015	177,392,770	116,066,116	293,458,886
Additions during the year	438,985	86,912,813	87,351,798
Proceeds from disposals during the year	-	(97,339,145)	(97,339,145)
Loss on disposal during the year	-	(2,922,642)	(2,922,642)
(Decrease)/increase in fair value taken to:			
Profit or (loss) (note 19)	-	(1,238,803)	(1,238,803)
Other comprehensive loss	(14,429,145)	-	(14,429,145)
Fair value at 31 December 2015	**163,402,610**	**101,478,339**	**264,880,949**

	2015 AED	2014 AED
Investments at amortised cost		
Amortised cost at 1 January	**3,610,000**	13,524,400
Proceeds from maturity	-	(9,914,400)
Reversal of impairment (note 19)	**2,970,278**	-
Amortised cost at 31 December	**6,580,278**	3,610,000

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 (2014: AED 10,000,000) which cannot be utilised without the consent of the UAE Insurance Authority.

10 Insurance contract liabilities and reinsurance contract assets

	2015 AED	2014 AED
Insurance liabilities - Gross		
Reported claims	**218,232,630**	143,761,619
Claims incurred but not reported	**14,654,429**	3,121,589
Unearned premiums	**140,290,530**	134,858,566
	373,177,589	281,741,774
Recoverable from reinsurers		
Reported claims	**89,020,500**	77,332,135
Claims incurred but not reported	**2,887,013**	520,680
Unearned premiums	**40,244,479**	40,933,834
	132,151,992	118,786,649
Insurance liabilities – Net		
Reported claims	**129,212,130**	66,429,484
Claims incurred but not reported	**11,767,416**	2,600,909
Unearned premiums	**100,046,051**	93,924,732
	241,025,597	162,955,125

Notes to the financial statements
for the year ended 31 December 2015 (continued)

10 Insurance contract liabilities and reinsurance contract assets (continued)

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

	2015			2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	AED	AED	AED	AED	AED	AED
CLAIMS						
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 1 January	**146,883,208**	**77,852,815**	**69,030,393**	147,317,962	79,720,845	67,597,117
Claims settled	**(264,703,845)**	**(46,008,419)**	**(218,695,426)**	(189,933,675)	(35,955,854)	(153,977,821)
Increase in liabilities	**350,707,695**	**60,063,116**	**290,644,579**	189,498,921	34,087,824	155,411,097
Total at 31 December	**232,887,058**	**91,907,512**	**140,979,546**	146,883,208	77,852,815	69,030,393
Notified claims	**218,232,630**	**89,020,500**	**129,212,130**	143,761,619	77,332,135	66,429,484
Incurred but not reported	**14,654,429**	**2,887,013**	**11,767,416**	3,121,589	520,680	2,600,909
Total at 31 December	**232,887,059**	**91,907,513**	**140,979,546**	146,883,208	77,852,815	69,030,393
UNEARNED PREMIUM						
Total at 1 January	**134,858,566**	**40,933,834**	**93,924,732**	108,405,398	43,133,441	65,271,957
Premiums written during the year	**140,290,530**	**40,244,479**	**100,046,051**	134,858,566	40,933,834	93,924,732
Release during the year	**(134,858,566)**	**(40,933,834)**	**(93,924,732)**	(108,405,398)	(43,133,441)	(65,271,957)
Net increase/(decrease) during the year	**5,431,964**	**(689,355)**	**6,121,319**	26,453,168	(2,199,607)	28,652,775
Total at 31 December	**140,290,530**	**40,244,479**	**100,046,051**	134,858,566	40,933,834	93,924,732

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:

	2015 AED	2014 AED
Premiums written	**58,002,920**	13,932,589
Claims paid	**41,065,339**	32,668,399
Directors' remuneration	**-**	3,000,000
Remuneration of key management	**9,145,987**	7,683,044
Due from related party policyholders (note 12)	**23,958,684**	11,896,303

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

	2015 AED	2014 AED
Due from external policyholders	**86,581,157**	101,610,924
Due from related party policyholders (note 11)	**23,958,684**	11,896,303
Less: allowance for doubtful debts	**(6,957,479)**	(6,992,119)
Net due from policyholders	**103,582,362**	106,515,108
Due from insurance companies	**5,686,666**	4,798,707
Due from reinsurance companies	**8,249,543**	5,938,802
Interest receivable	**1,917,962**	865,151
Other receivables	**3,062,533**	716,581
	122,499,066	118,834,349

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 71,540,319 (2014: AED 72,233,471) 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 71,505,286 (2014: AED 49,162,258) 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

	2015 AED	2014 AED
Not past due	**32,077,076**	57,352,850
Past due but not impaired		
181 to 365 days	**42,600,512**	43,858,780
More than 365 days	**28,904,774**	5,303,478
	71,505,286	49,162,258
Past due and impaired		
More than 1 year but less than 2 years	**132,737**	42,134
More than 2 years but less than 3 years	**891,930**	13,000
More than 3 years	**5,932,812**	6,936,985
	6,957,479	6,992,119
Total amounts due from policy holders	**110,539,841**	113,507,227

Movement in the allowance for doubtful debts:

	2015 AED	2014 AED
Balance at beginning of the year	**6,992,119**	7,024,364
Amounts reversed	**(34,640)**	(32,245)
Balance at end of the year	**6,957,479**	6,992,119

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

	2015 AED	2014 AED
Authorised, issue and fully paid:		
100,000,000 (2014: 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 2015, the Board of Directors has not proposed any cash dividend.

Dividends, amounting to AED 40,000,000 for the year ended 31 December 2014, were approved by the Shareholders at the Annual General Meeting held on 18 March 2015.

17 Provision for end of service benefits

	2015 AED	2014 AED
Balance at the beginning of the year	**7,462,006**	7,323,179
Charge for the year	**582,162**	543,022
Paid during the year	**(496,928)**	(404,195)
Balance at the end of the year	**7,547,240**	7,462,006

Notes to the financial statements
for the year ended 31 December 2015 (continued)

18 Trade and other payables

	2015 AED	2014 AED
Due to policy holders	**75,657,931**	26,471,944
Due to insurance companies	**29,890,016**	24,187,293
Due to reinsurance companies	**17,692,576**	49,856,084
Premium reserve withheld	**24,054,560**	15,794,896
Commissions payable	**-**	17,500,000
Deferred income	**1,419,332**	10,822,473
Directors' remuneration payable (note 11)	**-**	3,000,000
Other payables	**12,710,247**	12,679,397
	161,424,662	160,312,087

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

	2015 AED	2014 AED
Net rental income (a)	**4,268,507**	3,729,204
Net interest income (b)	**4,579,474**	4,943,598
Dividend income (c)	**9,858,218**	13,490,515
(Loss)/gain on disposal on investment at FVTPL (note 8.2)	**(2,922,642)**	3,769,957
(Decrease)/increase in fair value of investments at FVTPL (note 8.2)	**(1,238,803)**	713,358
Investment expenses	**(831,506)**	(548,176)
Other (expenses)/income, net	**(620,672)**	839,344
Gain/(loss) on disposal of property and equipment	**28,581**	(614)
Reversal of impairment	**2,970,278**	-
	16,091,435	26,937,186

Details of major investment income are as follows:

Net rental income:		
Gross rental income	**4,837,642**	4,387,315
Less: building expenses	**(569,135)**	(658,111)
Net rental income (a)	**4,268,507**	3,729,204

Notes to the financial statements for the year ended 31 December 2015 (continued)

19 Net investment and other income (continued)

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

	2015 AED	2014 AED
Net interest income on:		
Bank deposits	**4,825,358**	4,418,042
Interest paid to reinsurance	**(245,884)**	525,556
Net interest income (b)	**4,579,474**	4,943,598
Dividend income on:		
Investments at FVTOCI	**8,659,362**	8,417,420
Investments at FVTPL	**1,198,856**	5,073,095
Dividend income (c)	**9,858,218**	13,490,515

20 (Loss)/profit for the year

(Loss)/profit for the year is stated after charging:

	2015 AED	2014 AED
Staff costs	**23,072,681**	22,009,640
Depreciation of property and equipment (note 5)	**832,141**	717,585
Amortisation of intangible assets (note 7)	**1,450,076**	1,643,257
Foreign exchange (loss)/gain	**(15,483)**	2,811

21 Basic and diluted (loss)/earnings per share

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

	2015	2014
(Loss)/profit for the year (AED)	**(61,434,850)**	42,383,871
Weighted average number of ordinary shares in issue throughout the year	**100,000,000**	100,000,000
Basic and diluted (loss)/earnings per share (AED)	**(0.61)**	0.42

As of 31 December 2015 and 2014, the Company has not issued any instruments that have an impact on the basic and diluted earnings per share when exercised.

22 Cash and cash equivalents

	2015 AED	2014 AED
Cash on hand	**17,106**	15,443
Current accounts	**45,290,082**	159,689,205
Term deposits	**161,923,956**	61,159,255
Bank balances and cash	**207,231,144**	220,863,903
Less: deposits with original maturities of greater than three months	**(161,923,956)**	(61,159,255)
	45,307,188	159,704,648

The interest rate on fixed deposits and current accounts with banks ranges between 0.55% and 2.75% (2014: 0.9% and 2.75%) 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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

23 Segment information (continued)

23.1 Segment revenue and results

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

	Year ended 31 December 2015			Year ended 31 December 2014		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Direct revenues	**392,902,434**	**17,097,518**	**409,999,952**	373,937,281	26,877,077	400,814,358
Direct costs	**(436,676,839)**	**(1,646,525)**	**(438,323,364)**	(323,389,649)	(1,491,979)	(324,881,628)
Administrative expenses	**(26,628,839)**	**-**	**(26,628,839)**	(25,132,282)	-	(25,132,282)
Depreciation expense	**(832,140)**	**-**	**(832,140)**	(717,585)	-	(717,585)
Amortisation expense	**(1,450,076)**	**-**	**(1,450,076)**	(1,643,257)	-	(1,643,257)
Other expenses	**(4,840,826)**	**-**	**(4,840,826)**	(7,607,823)	-	(7,607,823)
Non-cash investment gains (net)	**-**	**279,263**	**279,263**	-	713,358	713,358
Segment (loss)/profit	**(77,526,286)**	**15,730,256**	**(61,796,030)**	15,446,685	26,098,456	41,545,141
Other income	**-**	**-**	**361,180**	-	-	838,730
(Loss)/profit for the year	**(77,526,286)**	**15,730,256**	**(61,434,850)**	15,446,685	26,098,456	42,383,871

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the year (2014: 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 2015 (continued)

23 Segment information (continued)

23.2 Segment assets and liabilities

	As at 31 December 2015			As at 31 December 2014		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Segment assets	**261,397,198**	**525,385,183**	**786,782,381**	245,387,151	450,228,141	695,615,292
Unallocated assets	-	-	**45,307,188**	-	-	159,704,648
Total assets	**261,397,198**	**525,385,183**	**832,089,569**	245,387,151	450,228,141	855,319,940
Segment liabilities	**533,934,892**	**1,431,672**	**535,366,564**	439,515,848	1,410,444	440,926,292
Unallocated liabilities	-	-	**6,782,927**	-	-	8,589,575
Total liabilities	**533,934,892**	**1,431,672**	**542,149.491**	439,515,848	1,410,444	449,515,867
Capital expenditure	**1,590,051**	-	**1,590,051**	1,740,647	-	1,740,647

Notes to the financial statements
for the year ended 31 December 2015 (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.

	2015 AED	2014 AED
Medical	**157,537,946**	144,336,817
Motor	**88,046,414**	94,667,012
Engineering	**31,112,397**	32,357,032
Fire	**37,981,698**	22,678,909
Workmen's compensation and third party liability	**12,997,342**	12,846,043
Others	**65,226,637**	67,051,468
	392,902,434	373,937,281

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 2015 AED	Revenue 2014 AED	Total assets 2015 AED	Total assets 2014 AED
United Arab Emirates	**399,997,029**	390,287,485	**824,382,314**	849,042,108
Other GCC countries	**2,668,498**	1,488,394	**1,575,659**	4,031,890
Others	**6,835,483**	7,919,836	**6,131,596**	2,245,942
	409,501,010	399,695,715	**832,089,569**	855,319,940

24 Contingent liabilities

	2015 AED	2014 AED
Bank guarantees	**16,994,024**	12,855,959

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 2015		Year ended 31 December 2014	
	Gross Loss Ratio	**Net Loss Ratio**	Gross Loss Ratio	Net Loss Ratio
Motor	**91%**	**97%**	58%	53%
Non-Motor	**70%**	**92%**	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	2011 AED'000	2012 AED'000	2013 AED'000	2014 AED'000	2015 AED'000	Total AED'000
Motor - Gross:						
At the end of the underwriting year	635,162	42,163	31,069	71,195	64,936	-
One year later	77,204	61,759	31,210	88,474	-	-
Two years later	77,827	75,478	30,748	-	-	-
Three years later	49,481	75,989	-	-	-	-
Four years later	412,736	-	-	-	-	-
Current estimate of cumulative claims	412,736	75,989	30,748	88,474	64,936	672,883
Cumulative payments to date	(407,760)	(60,703)	(27,040)	(58,343)	(56,858)	(610,704)
Liability recognised in the statement of financial position	**4,976**	**15,286**	**3,708**	**30,131**	**8,078**	**62,179**
Non-motor - Gross:						
At the end of the underwriting year	580,242	81,111	67,406	51,146	129,033	-
One year later	85,831	154,629	140,054	73,875	-	-
Two years later	92,581	162,547	228,655	-	-	-
Three years later	93,659	177,984	-	-	-	-
Four years later	350,863	-	-	-	-	-
Current estimate of cumulative claims	350,863	177,984	228,655	73,875	129,033	960,410
Cumulative payments to date	(309,469)	(168,613)	(199,859)	(60,664)	(51,097)	(789,702)
Liability recognised in the statement of financial position	**41,394**	**9,371**	**28,796**	**13,211**	**77,936**	**170,708**

Notes to the financial statements
for the year ended 31 December 2015 (continued)

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 2015		Year ended 31 December 2014	
	Gross AED	Net AED	Gross AED	Net AED
Motor				
UAE	**10,006,473,510**	**9,179,094,653**	9,695,899,853	9,507,621,273
Non-Motor				
UAE	**86,075,607,100**	**9,208,167,491**	86,075,607,100	7,556,210,770
GCC countries	**9,799,657,774**	**2,704,787,361**	4,248,952,521	133,443,966
	95,875,264,874	**11,912,954,852**	90,324,559,621	7,689,654,736
Grand total	**105,881,738,384**	**21,092,049,505**	100,020,459,474	17,197,276,009

25 Insurance risk (continued)

Sensitivity of underwriting profit and losses

The insurance operations of the Company resulted in a loss of AED 43,774,404 during the year as compared to a profit of AED 50,547,632 in the prior year.

- The Company has an overall risk retention level in the region of 19.92% (2014: 17.19%) and the Company is adequately covered by proportional and non-proportional programs to guard against major financial impact.

- The Company has net commission earnings of AED 19,261,744 against AED 7,574,425 in 2014 from underwriting operation predominantly from the reinsurance placement which remains as a comfortable source of income.

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.

	2015 **AED**	2014 AED
Minimum regulatory capital (a)	**100,000,000**	100,000,000
Share capital	**100,000,000**	100,000,000
Total equity	**289,940,078**	405,804,073

(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 recognised, 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

	2015 AED	2014 AED
Financial assets		
Investments designated at FVTOCI	**163,402,610**	177,392,770
Investments designated at FVTPL	**101,478,339**	116,066,116
Investments at amortised cost	**6,580,278**	3,610,000
Statutory deposit	**10,000,000**	10,000,000
Trade and other receivables	**122,499,066**	118,834,349
Bank balances and cash	**207,231,144**	220,863,903
	611,191,437	646,767,138
Financial liabilities		
Trade and other payables	**161,424,662**	160,312,087

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 loss for the year ended 31 December 2015 would increase/deccrease by AED 1.5 million (2014: profit for the year would decrease/increase by AED 200 thousand). The Company's sensitivity to interest rates had decreased mainly due to lower bank deposits during the current year.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

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	
	2015 AED	2014 AED	**2015 AED**	2014 AED
US Dollars	**1,550,034**	4,353,027	**6,913,652**	14,358,098
Oman Riyals	**852**	8,126	**365**	3,481
Pound Sterling	**23,073**	135,555	**287,348**	110,813
Euro	**19,301**	1,089,648	**736,504**	1,283,300
	1,593,260	5,586,356	**7,937,869**	15,755,692

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 (2014: AED 1 thousand) net revaluation gain/loss on the Omani Riyal outstanding balances.
(b) there is AED 53 thousand (2014: AED 4 thousand) net revaluation gain/loss on the Pound Sterling outstanding balances.
(c) there is AED 143 thousand (2014: AED 38 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 loss would increase/(decrease) by AED 1.9 million (2014: AED 1.4 million) 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 8.17 million (2014: 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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

26 Financial instruments (continued)

26.7 Credit risk management (continued)

At 31 December 2015 and 2014, virtually all of the deposits were placed with 7 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 2015			
Trade and other payables	**161,424,662**	**161,424,662**	-
Financial liabilities at 31 December 2014			
Trade and other payables	160,312,087	160,312,087	-

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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

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 2015				
Investments at FVTOCI	**163,402,610**	-	-	**163,402,610**
Investments at FVTPL	**25,009,561**	-	**76,468,780**	**101,478,341**
	188,412,171	-	**76,468,780**	**264,880,951**
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

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:

	2015 AED	2014 AED
Opening balance	**88,133,310**	91,548,315
Investments purchased during the year	**71,066,134**	59,532,646
Investments disposed during the year	**(83,947,959)**	(65,282,990)
Net change in fair value	**1,217,295**	2,515,339
Closing balance	**76,468,780**	88,133,310

Notes to the financial statements
for the year ended 31 December 2015 (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 2015:

	2015		2014	
	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	**6,580,278**	**6,580,278**	3,610,000	3,610,000
Insurance and other receivables	**122,499,066**	**122,499,066**	118,834,349	118,834,349
Bank and cash	**207,231,144**	**207,231,144**	220,863,903	220,863,903
	346,310,488	**346,310,488**	353,308,252	353,308,252
Financial liabilities				
Insurance and other payables	**161,424,662**	161,424,662	160,312,087	160,312,087

27 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 16 February 2016.