Al Wathba National Insurance Company (PJSC)

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

Al Wathba National Insurance Company (PJSC)

BOARD OF DIRECTORS' REPORT

31 DECEMBER 2015

Board of Directors Report on the Company Business
For the Period Ending 31/12/2015

The Board of Directors is pleased to submit the annual report of the company's activities accompanied by the financial statement for the period ending 31/12/2015.

The year 2015 was marked by a number of variables that made an impact on global and regional economies. Fluctuations in all levels of major financial markets were prevalent in Europe, the US and Asian stock markets and subsequently made an impact on the local financial market in terms of price and trading levels. In addition, the remarkable drop in oil prices in 2015 also had a significant effect on GNP (Gross National Product) of countries in the region in terms of the government and the private sector's spending and had also caused a stir on various economic activities.

For the United Arab Emirates, the vulnerability of these economic variables such as oil prices had less impact in comparison to other countries in the region mainly due to astute economic policies implemented by the country thru diversification of income sources. Under the stringent economic climate; the UAE insurance sector continues to operate under the strain of an intensively competitive market atmosphere which is reflected in the results of the operating companies, as well as the market's overall results in general.

Under these exceptional circumstances, insurance companies have begun implementing the financial instructions issued by the Insurance Authority under Circular No. 25 of 2014 where Al Wathba National Insurance Company has already began taking the necessary measures to effectively implement starting from the calculation of insurance premiums on the basis of merit and UPR (Unearned Premium Reserves) then the company calculates the adequacy of technical provisions required by the Insurance Authority in relation to the IBNR (Incurred But Not Reported), which requires a dedicated provision for the year 2015 of 17.790 million dirhams to cover IBNR requirements based on the studies conducted by the actuarial company designated by the Board to fulfill the Insurance Authority's requirements.

In these circumstances the company achieved a Net Underwriting Income of 7.404 million dirhams for the year 2015 compared to 17.573 million dirhams in the year 2014 for the same period, keeping in mind the impact on the calculation of the additional allocation on the results.

As for the investment returns, results reflected investment market conditions which was plagued with falling prices, particularly during the fourth quarter of the year and the net investment returns were 10.75 million dirhams in 2015 in comparison to 111.18 million dirhams in 2014. The quality of the company's investments and its diversity backs the company's current financial position, as reflected in Standard & Poor's evaluation of the company's financial strength which was affirmed a rating of BBB+ stable for the second consecutive year.

The company's performance yielded a total profit of 18.156 million dirhams for 2015, compared to 128.754 million dirhams for the year 2014.

Finally, the Board of Directors seizes this opportunity to express its highest thanks and appreciation to H.H Shiekh Khalifa Bin Zayed Al Nahyan, President of UAE and Ruler of Abu Dhabi and H.H Shiekh Mohamed Bin Rashid Al Maktoum, the Vice President , Prime Minister and the ruler of Dubai and H.H Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince and to all the rulers of the Emirates for their steadfast support for the progress of this country, all its economic institutions and Al Wathba National Insurance Company.

The Board of Directors likewise extends its appreciation and gratitude to all the company's shareholders and customers for their trust and continued support, and to all staff for their dedication and contribution to the company's performance during the last period

Shiekh Saif Bin Mohamed Bin Butti Al Hamed
Chairman

Al Wathba National Insurance Company (PJSC)

FINANCIAL STATEMENTS

31 DECEMBER 2015

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

AL WATHBA NATIONAL INSURANCE COMPANY PJSC

Report on the Financial Statements

We have audited the accompanying financial statements of Al Wathba National Insurance Company PJSC (the "Company"), which comprise the statement of financial position as at 31 December 2015, the statements of income, comprehensive income, changes in equity and 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 the applicable provisions of the articles of association of the Company, the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007, and for such internal control as management determines is necessary to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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Opinion
In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We report that:

i) we have obtained all the information and explanations 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, UAE Federal Law No. (6) of 2007 and the articles of association of the of the Company;

iii) the Company has maintained proper books of account;

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

v) investments in shares and stocks are included in notes 4 and 5 to the financial statements and include purchases and investments made by the Company during the year ended 31 December 2015;

vi) note 19 reflects the disclosures relating to related party transactions 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, UAE Federal Law No. (6) of 2007 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015.

Ernst + Young

Signed by:
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No. 532

2 March 2016
Abu Dhabi

STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	*31 December 2015 AED 000*	*31 December 2014 AED 000 (Restated)*
ASSETS			
Cash and bank balances	3	**85,542**	99,454
Investments carried at fair value through other comprehensive income	4	**190,544**	246,249
Investments carried at fair value through profit or loss	5	**295,105**	292,360
Investments at amortised cost	6	**5,000**	9,771
Insurance receivables and prepayments	7	**96,379**	75,664
Reinsurance contracts assets	14	**162,926**	184,979
Investment properties	8	**338,017**	326,279
Investment in associates	9	**131,918**	147,978
Property and equipment	10	**7,305**	7,005
TOTAL ASSETS		**1,312,736**	1,389,739
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**207,000**	207,000
Legal reserve	12	**76,146**	74,330
Statutory reserve	12	**51,750**	51,750
General reserve	12	**23,323**	23,323
Capital reserve	12	**9,959**	9,959
Investment revaluation reserve		**2,236**	89,887
Retained earnings		**404,420**	416,366
Total equity		**774,834**	872,615
LIABILITIES			
Employees' end of service benefits	18	**9,147**	7,986
Insurance contract liabilities	14	**296,877**	317,325
Bank overdrafts	3	**124,059**	88,262
Trade and other payables	17	**107,819**	103,551
Total liabilities		**537,902**	517,124
TOTAL EQUITY AND LIABILITIES		**1,312,736**	1,389,739

Sheikh Saif Bin Mohammed Bin Butti Al Hamed CHAIRMAN	Rashid Darwish Ahmed Saif Al Ketbi VICE CHAIRMAN & MANAGING DIRECTOR	Bassam Adib Chilmeran CHIEF EXECUTIVE OFFICER

The attached notes 1 to 29 form part of these financial statements.

INCOME STATEMENT
For the year ended 31 December 2015

	Notes	2015 AED 000	2014 AED 000 (Restated)
Gross premiums written	27.1	**343,389**	427,183
Less: reinsurance premium ceded	27.1	**(130,663)**	(205,551)
Net premiums written		**212,726**	221,632
Net movement in provision for unearned premiums	27.1	**1,030**	(10,291)
Net premium earned		**213,756**	211,341
Gross claims paid		**(267,923)**	(293,030)
Less: claims recovered from reinsurers		**97,680**	113,369
Net claims paid		**(170,243)**	(179,661)
Net movement in provision for outstanding claims	16	**(2,635)**	12,999
Net claims incurred	27.1	**(172,878)**	(166,662)
Gross commission earned		**32,339**	31,130
Less: commission expense		**(24,727)**	(19,102)
Net commission earned	27.1	**7,612**	12,028
Underwriting income		**48,490**	56,707
General and administrative expenses relating to underwriting	20	**(41,086)**	(39,134)
Net underwriting income		**7,404**	17,573
Other expenses	20	**(4,926)**	(10,805)
Net investment income	21	**6,411**	82,385
Share of profit of associates	9	**11,891**	41,367
Finance costs		**(2,624)**	(1,766)
PROFIT FOR THE YEAR	22	**18,156**	128,754
Basic and diluted earnings per share (AED)	23	**0.09**	0.62

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Notes	2015 AED 000	2014 AED 000 (Restated)
Profit for the year		**18,156**	128,754
Other comprehensive (loss) income			
Items that will not be reclassified to statement of income:			
Share of other comprehensive loss of associates	9	**(20,884)**	(4,239)
Gain on sale of investments carried at fair value through other comprehensive income		**1,587**	23,515
Changes in fair value relating to investments carried at fair value through other comprehensive income, net	4	**(65,050)**	22,531
Board of directors' remuneration		**(540)**	(4,500)
Other comprehensive (loss) income for the year		**(84,887)**	37,307
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(66,731)**	166,061

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Share capital AED 000	*Legal reserve AED 000*	*Statutory reserve AED 000*	*General reserve AED 000*	*Capital reserve AED 000*	*Investment revaluation reserve AED 000*	*Retained earnings AED 000*	*Total equity AED 000*
Balance at 1 January 2014	180,000	61,455	45,000	23,323	9,959	124,457	283,960	728,154
Profit for the year - restated	-	-	-	-	-	-	128,754	128,754
Other comprehensive income for the year - restated	-	-	-	-	-	18,292	19,015	37,307
Total comprehensive income for the year	-	-	-	-	-	18,292	147,769	166,061
Transfer to retained earnings on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	(52,862)	52,862	-
Transfer to legal reserve - restated	-	12,875	-	-	-	-	(12,875)	-
Transfer to statutory reserve	-	-	6,750	-	-	-	(6,750)	-
Issuance of bonus shares (note 11)	27,000	-	-	-	-	-	(27,000)	-
Dividends paid (note 11)	-	-	-	-	-	-	(21,600)	(21,600)
Balance at 31 December 2014 - restated	207,000	74,330	51,750	23,323	9,959	89,887	416,366	872,615
Balance at 1 January 2015	**207,000**	**74,330**	**51,750**	**23,323**	**9,959**	**89,887**	**416,366**	**872,615**
Profit for the year	-	-	-	-	-	-	**18,156**	**18,156**
Other comprehensive (loss) income for the year	-	-	-	-	-	**(85,934)**	**1,047**	**(84,887)**
Total comprehensive (loss) income for the year	-	-	-	-	-	**(85,934)**	**19,203**	**(66,731)**
Transfer to retained earnings on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	**(1,717)**	**1,717**	-
Transfer to legal reserve	-	**1,816**	-	-	-	-	**(1,816)**	-
Dividends paid (note 11)	-	-	-	-	-	-	**(31,050)**	**(31,050)**
Balance at 31 December 2015	**207,000**	**76,146**	**51,750**	**23,323**	**9,959**	**2,236**	**404,420**	**774,834**

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	2015 AED 000	2014 AED 000
OPERATING ACTIVITIES			
Profit for the period		**18,156**	128,754
Adjustments for:			
Unearned premium, net		**(1,030)**	10,291
Outstanding claims and claims incurred but not reported		**(8,879)**	6,642
Reinsurance share of outstanding claims and claims incurred but not reported		**11,514**	(19,641)
Depreciation of property and equipment	10	**1,592**	1,247
Changes in fair value of investment properties	8	**(11,738)**	-
Provision on insurance receivable, net		**(961)**	(1,585)
Provision for employees end of service benefits	18	**2,091**	1,000
Change in fair value of investments carried at fair value through profit or loss	5	**57,746**	18,670
Gain on disposal of investments carried at fair value through profit or loss	21	**(16,303)**	(70,416)
Gain on disposals of investments at amortised cost		**(207)**	-
Share of profit of associates	9	**(11,891)**	(41,367)
Dividend income	21	**(22,344)**	(16,435)
(Loss) gain on disposal of property and equipment		**1**	(32)
Finance costs		**2,624**	1,766
Interest income		**(149)**	(372)
		20,222	18,522
Working capital changes:			
Insurance receivables and prepayments		**(19,754)**	(9,128)
Trade and other payables		**3,728**	1,250
Cash from operations		**4,196**	10,644
Finance costs paid		**(2,624)**	(1,766)
Employees' end of service benefits paid	18	**(930)**	(193)
Net cash from operating activities		**642**	8,685
INVESTING ACTIVITIES			
Purchase of property and equipment	10	**(1,905)**	(2,903)
Purchase of investment properties	8	-	(22,025)
Additional investment in associate	9	-	(91,166)
Proceeds from disposal of property and equipment		**12**	32
Purchase of investments carried at fair value through other comprehensive income	4	**(12,921)**	(7,355)
Proceeds from disposal of investments carried at fair value through other comprehensive income		**5,163**	118,340
Purchase of investments carried at fair value through profit or loss	5	**(197,582)**	(405,418)
Proceeds from disposal of investments carried at fair value through profit or loss		**153,394**	401,889
Proceeds from disposal of investments at amortised cost		**4,978**	-
Dividends received from associates	9	**7,067**	3,657
Term deposits		**31,965**	(51,135)
Interest received		**149**	372
Dividends received		**22,344**	16,435
Net cash from (used in) investing activities		**12,664**	(39,277)
FINANCING ACTIVITY			
Dividends paid		**(31,050)**	(21,600)
Cash used in financing activity		**(31,050)**	(21,600)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(17,744)**	(52,192)
Cash and cash equivalents at the beginning of the year		**(61,222)**	(9,030)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	**(78,966)**	(61,222)

The attached notes 1 to 29 form part of these financial statements.

1 GENERAL INFORMATION

Al Wathba National Insurance Company PJSC (the "Company"), incorporated in Abu Dhabi is registered as a public shareholding company in accordance with the UAE Federal Law No. 8 of 1984 (as amended). The Federal Law No. (2) of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Company is currently assessing the impact of the new law and expects to be fully compliant on or before 30 June 2016.

The Company is registered in accordance with UAE Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organisation of its Operations and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies, and is registered in the Insurance Companies Register under registration No. 10.

The Company's principal activity is the transaction of general insurance and re-insurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain, and Sharjah. The Company is domiciled in the United Arab Emirates and its registered head office is P.O. Box 45154, Abu Dhabi, United Arab Emirates.

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

The Company's financial statements were approved for issuance by the Board of Directors on 2 March 2016.

2.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention as modified for re-measurement of investment securities and investment properties at fair value.

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of UAE Federal Law No. (2) of 2015, UAE Federal law No. (6) of 2007 and Insurance Authority Board Decision No. (25) of 2014.

The financial statements are presented in United Arab Emirates Dirhams (AED) being the functional currency of the Company.

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

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position (current) and more than 12 months after the statement of financial position date (non-current) is presented in the notes.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2015:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions;
- Annual Improvements 2010-2012 Cycle; and
  - IFRS 2 Share-based Payment;
  - IFRS 3 Business Combinations;
  - IFRS 8 Operating Segments;
  - IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets; and
  - IAS 24 Related Party Disclosures.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

- Annual Improvements 2011-2013 Cycle.
  - IFRS 3 Business Combinations;
  - IFRS 13 Fair Value Measurement; and
  - IAS 40 Investment Property.

A brief description of the changes is provided below:

IAS 19 Defined Benefit Plans: Employee Contributions requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Company.

Annual Improvements 2010-2012 Cycle
With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Company has applied these improvements for the first time in these financial statements. They include:

IFRS 2 Share-based Payments
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. These amendments are not relevant to the Company.

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). These amendments have no impact on the Company, since the Company has no contingent consideration arrangement.

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

This amendment is not relevant to the Company.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment is not relevant to the Company.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment will not have any impact on the Company.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and the Company has applied these amendments for the first time in these financial statements. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Company does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment did not impact the financial statements of the Company.

2.3 SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Gross premiums
Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Commission earned
Commission earned are recognised as revenue over the period in which the related services are performed.

Investment income
Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Claims
Claims comprising amounts payable to contract holders are charged to income as incurred. Claims comprise the estimated amounts payable of claims incurred.

The Company generally estimates its claims based on previous experience. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

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

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Insurance contract liabilities
Contract liabilities include claims incurred but not reported (IBNR), outstanding claims, and the provision for unearned premium. The IBNR is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not. Delays can be experienced in the notification and / or approval of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The Company provides unearned premium reserve based on actual terms of the policy.

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

Insurance payables
Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Reinsurance
The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in accordance with the related reinsurance contract.

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

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

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

Financial assets
Financial assets are classified in their entirety on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the investments. Financial assets are measured either at amortised cost or fair value.

Debt instruments are measured at amortised cost only if:

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

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued
If either of the two criteria is not met the financial instrument is classified at fair value through profit or loss. Further, even if the asset meets the amortised cost criteria, the Company may choose at initial recognition to designate the financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. Interest and dividends income on investments classified as fair value through profit or loss are included in 'interest income' and 'dividend income' in the statement of income.

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

Impairment of financial assets
The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost (such as amounts due from banks and debt instruments), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. Financial assets at amortised cost together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Other income'.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset or substantially all the risks and rewards of ownership 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 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 and also recognises a collateralised borrowing for the proceeds received.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of assets, as follows:

Furniture and equipment	2-4 years
Motor vehicles	4 years
Building	20 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair values less costs to sell and their values in use. Impairment losses are recognised in the income statement.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Business combinations
Acquisitions of businesses are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the cash and equity interests issued by the Company in exchange for control of the acquiree. Acquisition related costs are recognised in income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in income statements as gain on acquiring controlling interest.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Business combinations continued
When the consideration transferred by the Compnay in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in income statement.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognised in income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to income statement where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investment in associates
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associates is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of income reflects the Company's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of income. The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the statement of income.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Investment in associates continued
Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of income.
On acquisition of the investment in an associate, any difference (whether positive or negative) between the cost of acquisition and the investor's share of the fair values of the net identifiable assets of the associate is accounted for as goodwill (negative goodwill) in accordance with IFRS 3 Business Combinations.

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement
The Company measures financial instruments, such as investments carried at fair value through other comprehensive income and investments carried at fair value through profit or loss and non-financial assets such as investment properties, at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 26.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Company's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

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

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and could be reliably measured.

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

With respect to its national employees, the Company makes contributions to the Abu Dhabi Pension and Retirement Fund calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Classification of investments
Management designates at the time of acquisition of securities whether these should be classified as at fair value through other comprehensive income, fair value through profit or loss or amortised cost. In judging whether investments in securities are as at fair value through other comprehensive income, fair value through profit or loss or amortised cost, Management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

Provision for incurred but not reported claims (IBNR)
Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated by an independent qualified consultant using the chain ladder and Bornhuetter-Ferguson actuarial techniques. The main assumption underlying those techniques are that the Company's past claims development experience which can be used to project future claims development and hence ultimate claims cost.

The carrying value at the statement of financial position date of IBNR (net of related reinsurance receivable) is AED 22.8 million (2014: AED 5 million).

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Estimation uncertainty continued

Provision for outstanding claims

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company generally estimates its claims based on previous experience. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters along with the Company's internal legal counsel normally estimate such claims.

The carrying value at the statement of financial position date of provision for outstanding claims (net of related reinsurance receivables) is AED 49 million (2014: AED 64 million). Further, the Company has made a provision of AED 15.1 million (2014: AED 32 million) in respect of claims requiring court or arbitration decisions.

Reinsurance

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

Impairment of accounts receivable

An estimate of the collectible amount of policyholders balances is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. At the statement of financial position date, gross insurance receivable balances were AED 58.1 million (2014: AED 64.6 million), and the provision for doubtful debts was AED 9.8 million (2014: AED 11.4 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Estimation of fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation consultants based on Comparative Method of Valuation method.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised.

Under the Comparative Method of Valuation the fair value is determined by considering recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices.

As a result of the fair value assessment, there was an increase in fair value of AED 1.7 million (2014: AED nil) recognised in the income statement for the year.

2.5 FUTURE CHANGES IN ACCOUNTING POLICIES – NEW STANDARDS AND AMENDMENTS TO EXISITNG STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards and amendments to existing standards issued but not yet effective up to the date of the issuance of the Company's financial statements are listed below.

IFRS 9: Financial Instruments introduces new requirements for classification and measurement, impairment, and hedge accounting. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

The Company is in the process of assessing the impact of IFRS 9 on its financial statements.

2.5 FUTURE CHANGES IN ACCOUNTING POLICIES – NEW STANDARDS AND AMENDMENTS TO EXISITNG STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

IFRS 14: Regulatory Deferral Accounts is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

IFRS 15: Revenue from Contracts with Customers was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company does not expect that IFRS 15 will have any significant impact on the financial statements.

IFRS 11: Joint Arrangements (Amendment) require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

IAS 16 and IAS 38: (Amendment) clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

IAS 16 and IAS 41: (Amendment) changes the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company as the Company does not have any bearer plants.

IAS 27: Separate Financial Statements (Amendment) will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in their separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

2.5 FUTURE CHANGES IN ACCOUNTING POLICIES – NEW STANDARDS AND AMENDMENTS TO EXISITNG STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

IFRS 10 and IAS 28 (Amendments) addresses the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to statement of comprehensive income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is . All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

3 CASH AND CASH EQUIVALENTS

	2015 *AED 000*	*2014* *AED 000*
Bank and cash	**41,893**	23,852
Statutory deposit	**6,000**	6,000
Term deposits	**37,649**	69,602
Cash and bank balances	**85,542**	99,454
Less: bank overdrafts	**(124,059)**	(88,262)
Less: term deposits with original maturity over 3 months	**(34,449)**	(66,414)
Less: statutory deposits	**(6,000)**	(6,000)
	(78,966)	(61,222)

Geographical concentration of cash and cash equivalents is as follows:

Within UAE	**(38,517)**	11,192

Term deposits are held with financial institutions in UAE. The original maturity ranges from one to twelve months. Interest is receivable at annual rates ranging from 0.4% to 2.6% per annum (2014: 0.4% to 2.6% per annum).

In accordance with the requirements of UAE Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organisation of its Operations, the Company maintains a bank deposit of AED 6 million (2014: AED 6 million) which cannot be utilised without the consent of the UAE Insurance Authority.

4 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company's investments carried at fair value through other comprehensive income at the end of the reporting period are detailed below.

	2015 *AED 000*	*2014* *AED 000*
Quoted securities	**164,759**	230,712
Unquoted securities	**25,785**	15,537
	190,544	246,249

Certain securities are registered in the name of a director on behalf of the Company. The fair value of these securities as at 31 December 2015 was AED 6 million (2014: AED 11 million).

The movement in investments during the year is as follows:

	2015 *AED 000*	*2014* *AED 000*
Fair value at 1 January	**246,249**	311,188
Additions	**12,921**	7,355
Disposals	**(3,576)**	(94,825)
Change in fair value	**(65,050)**	22,531
Fair value at 31 December	**190,544**	246,249

The geographical distribution of investments is as follows:

	2015 *AED 000*	*2014* *AED 000*
Within UAE	**183,237**	236,730
Outside UAE	**7,307**	9,519
	190,544	246,249

5 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit or loss consist of quoted investments in UAE securities.

The movement in investments at fair value through profit or loss is as follows:

	2015 AED 000	*2014 AED 000*
Fair value at beginning of year	**292,360**	237,085
Additions	**197,582**	405,418
Disposals	**(137,091)**	(331,473)
Change in fair value	**(57,746)**	(18,670)
Fair value at end of the year	**295,105**	292,360

The geographical distribution of investments is as follows:

	2015 AED 000	*2014 AED 000*
Within UAE	**295,105**	292,360

6 INVESTMENTS AT AMORTISED COST

Included in investments at amortised cost is a five-year sukuk amounting to AED 5,000 thousand (31 December 2014: AED 5,000 thousand) which carries interest of 6-month EIBOR + 300 bps or 7.5%, whichever is higher. During the year, perpetual sukuk amounting to AED 4,771 thousand were redeemed.

7 INSURANCE RECEIVABLES AND PREPAYMENTS

	2015 AED 000	*2014 AED 000*
Insurance receivables:		
Due from policy holders	**43,661**	50,467
Due from policy holders - related parties	**14,409**	14,099
	58,070	64,566
Less: allowance for impaired receivables	**(9,793)**	(11,386)
	48,277	53,180
Due from insurance and reinsurance companies	**11,769**	11,513
Prepayments	**1,978**	2,397
Accrued income	**3,202**	2,790
Payment to acquire additional equity interest in an associate (note 9)	**26,188**	-
Other receivables	**4,965**	5,784
	96,379	75,664

7 INSURANCE RECEIVABLES AND PREPAYMENTS continued

As at 31 December, the ageing of unimpaired insurance receivables is as follows:

			Past due but not impaired			
	Total AED '000	*Neither past due nor impaired AED '000*	*31-90 days AED '000*	*91 - 180 days AED '000*	*180 - 365 days AED '000*	*Above 365 days AED '000*
31 December 2015						
Insurance receivables	**48,277**	**7,853**	**8,912**	**16,488**	**7,750**	**7,274**
31 December 2014						
Insurance receivables	53,180	8,909	12,338	14,632	7,437	9,864

The movement in the allowance for impaired receivables is as follows:

	2015 AED 000	*2014 AED 000*
At 1 January	**11,386**	13,033
Charge for the year	**1,525**	2,067
Amounts written off during the year	**(632)**	(62)
Amounts recovered during the year	**(2,486)**	(3,652)
At 31 December	**9,793**	11,386

8 INVESTMENT PROPERTIES

	Land AED '000	*Buildings AED '000*	*Total AED '000*
2015			
At 1 January 2015	**62,750**	**263,529**	**326,279**
Changes in fair value	**10,250**	**1,488**	**11,738**
At 31 December 2015	**73,000**	**265,017**	**338,017**
2014			
At 1 January 2014	62,750	241,504	304,254
Changes in fair value	-	-	-
Additions	-	22,025	22,025
At 31 December 2014	62,750	263,529	326,279

Investment properties include:

(i) Abu Dhabi Head Office building

The Company occupies three floors of the building for its Head Office with the remaining sixteen floors available for letting to third parties. The fair value of this property is estimated to be AED 175.25 million (2014: AED 175 million).

8 INVESTMENT PROPERTIES continued

(ii) Al Jumeirah Island Commercial villas

This property consists of five villas in Dubai available for letting to third parties. The fair value of this property is estimated to be AED 33 million (2014: AED 32.5 million).

(iii) Al Nakheel flat

This property is located at Al Nakheel building, The Greens; Dubai, and is available for letting to third parties. The fair value of this property is estimated to be AED 1.35 million (2014:AED 1.3 million).

(iv) Land in Dubai Technology, Electronic, Commerce and Media Free Zone Authority

The freehold land in Dubai was purchased in 2004. The fair value of this plot of land in Dubai is estimated to be AED 73 million (2014: AED 62.75 million).

(v) New York residential condominium units

During 2013, the Company purchased two condominium units, being unit no's.11D and 14B located in New York, United States of America, and purchased an additional unit, being unit no. 14A during 2014. The fair value of these properties are estimated to be AED 55.4 million (2014: AED 54.7 million).

The property rental income earned by the Company from its investment properties, part of which is leased out under operating leases and the direct operating expenses arising on the investment properties are as follows:

	2015	*2014*
	AED 000	*AED 000*
Rental income	**16,628**	15,617
Direct operating expenses	**(4,620)**	(2,464)
	12,008	13,153

The fair value of the Company's investment properties as at 31 December 2015 and 2014 has been arrived by management by reference to valuation carried out on the respective dates by an independent valuer not related to the Company. The independent valuer has appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value of land and buildings was determined based on the market comparable approach that reflects recent transaction prices for similar properties or quotes/bid prices for same or similar assets. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

9 INVESTMENT IN ASSOCIATES

Details of Company's associates as of 31 December are as follows:

Name of the associate	*Principal activities*	*Place of incorporation*	*Voting power %*	*Ownership interest %*
Vision Insurance SAOC	Insurance business	Sultanate of Oman	20%	20%
Vision Capital Brokerage Company LLC	Brokerage services	United Arab Emirates	10%	10%
UR International Insurance	Insurance business	Iraq	40%	40%
FOODCO Holding PJSC	Import and distribution of food stuff	United Arab Emirates	23%	23%

During 2014, The Company acquired a 22.81% equity stake in FOODCO Holding PJSC effective 16 April 2014 for a consideration of AED 91,166 thousand. During 2015, the purchase price allocation exercise for the acquisition was completed, and accordingly the prior year balance was restated to incorporate the results (note 29).

During 2015, the Company entered into a contract to acquire additional equity interest in Vision Capital Brokerage Company LLC (VCB), in order to increase its ownership interest to 99%. The total purchase consideration is AED 56.4 million, out of which AED 26.2 million has been paid up to 31 December 2015. The acquisition is pending shareholders' approval at Company's next annual general meeting. Accordingly, the management has determined it does not control VCB as at 31 December 2015 and has not recorded the results, assets and liabilities relating to the additional equity interest in its financial statements for the year ended 31December 2015.

The movement on investment in associates during the year is as follows:

	2015 ***AED 000***	*2014* *AED 000* *(Restated)*
At 1 January	**147,978**	23,341
Additions during the year	-	91,166
Share of profit for the year	**11,891**	41,367
Share of other comprehensive income of associates	**(20,884)**	(4,239)
Less: cash dividends received	**(7,067)**	(3,657)
At 31 December	**131,918**	147,978

The summarised financial information in respect of the Company's associates is set out below:

	FOODCO Holding PJSC AED 000	*Vision Insurance SAOC AED 000*	*Others AED 000*	***Total AED 000***
2015				
Total assets	**878,080**	**169,168**	**77,524**	**1,124,772**
Total liabilities	**(419,211)**	**(90,419)**	**(13,058)**	**(522,688)**
Net assets	**458,869**	**78,749**	**64,466**	**602,084**
Company's share of associates' net assets	**104,668**	**15,750**	**11,500**	**131,918**
Total revenue	**249,446**	**47,498**	**7,972**	**304,916**
Profit for the year	**40,050**	**12,348**	**1,122**	**53,520**
Company's share of associates' profit for the year	**9,135**	**2,470**	**286**	**11,891**
2014				
Total assets	904,215	222,255	74,861	1,201,331
Total liabilities	(365,570)	(151,895)	(18,342)	(535,807)
Net assets	538,645	70,360	56,519	665,524
Company's share of associates' net assets	122,865	14,072	11,041	147,978
Total revenue	111,834	52,444	14,562	178,840
Profit for the year	52,509	11,989	7,609	72,107
Company's share of associates' profit for the year	37,612	2,398	1,357	41,367

10 PROPERTY AND EQUIPMENT

	Building AED '000	*Motor vehicles AED '000*	*Furniture and equipment AED '000*	*Total AED '000*
2015				
Cost:				
At 1 January 2015	4,741	629	11,601	16,971
Additions	-	14	1,891	1,905
Disposals	-	(9)	(16)	(25)
At 31 December 2015	**4,741**	**634**	**13,476**	**18,851**
Depreciation:				
At 1 January 2015	1,264	591	8,111	9,966
Charge for the year	316	17	1,259	1,592
Disposals	-	(9)	(3)	(12)
At 31 December 2015	**1,580**	**599**	**9,367**	**11,546**
Carrying amount:				
At 31 December 2015	**3,161**	**35**	**4,109**	**7,305**
2014				
Cost:				
At 1 January 2014	4,741	674	8,748	14,163
Additions	-	33	2,870	2,903
Disposals	-	(78)	(17)	(95)
At 31 December 2014	4,741	629	11,601	16,971
Depreciation:				
At 1 January 2014	948	656	7,210	8,814
Charge for the year	316	13	918	1,247
Disposals	-	(78)	(17)	(95)
At 31 December 2014	1,264	591	8,111	9,966
Carrying amount:				
At 31 December 2014	3,477	38	3,490	7,005

11 SHARE CAPITAL

	2015 AED 000	*2014 AED 000*
Authorised, issued and fully paid		
207,000,000 (31 December 2014: 207,000,000) ordinary shares of AED 1 each	**207,000**	207,000

At the Annual General Meeting held on 20 April 2015, the Shareholders approved the distribution of cash dividends of AED 0.15 per share amounting to AED 31,050,000 (31 December 2014: AED 0.12 per share amounting to AED 21,600,000) and bonus shares of AED nil (31 December 2014: AED 0.15 per share amounting to AED 27,000,000).

12 RESERVES

Legal reserve
As required by the U.A.E. Federal Law No. (2) of 2015, 10% of the profit for the year has been transferred to the legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the issued share capital. This reserve is not available for distribution.

Statutory reserve
As required by the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the statutory reserve until the balance of the statutory reserve equals 25% of the Company paid up share capital. This reserve is not available for distribution. The Company has resolved to discontinue such annual transfers since the reserve totals 25% of the issued share capital.

General reserve
Transfers to and from the general reserve are made at the discretion of the Board of Directors as per the authority granted to them in the Company's Articles of Association. This reserve may be used for such purposes as they deem fit.

Capital reserve
In accordance with the Board of Directors' resolution which was adopted by the Shareholders in their Annual General Meeting held on 19 May 1999, this reserve is earmarked for the settlement of any claims with respect to compensating the previous non-national shareholders of the Company. There was no payment made to these shareholders during the year (2014: nil).

13 PROPOSED CASH DIVIDENDS AND BONUS SHARES

In respect of the current year, the Board of Directors propose a cash dividend of AED 0.075 per share (2014: AED 0.15 per share) amounting to AED 15.5 million (2014: AED 31.1 million). The cash dividend are subject to the approval of the Shareholders at the Annual General Meeting.

14 INSURANCE CONTRACT LIABILITIES

Gross outstanding claims, claims incurred but not reported (IBNR) and and unearned premiums, and related reinsurers' share is as follows:

	2015			*2014*		
	Gross AED '000	***Reinsurers' share AED '000***	***Net AED '000***	*Gross AED '000*	*Reinsurers' share AED '000*	*Net AED '000*
Outstanding claims provision	**171,783**	**(122,811)**	**48,972**	206,353	(142,226)	64,127
Claims incurred but not reported (IBNR)	**31,497**	**(8,707)**	**22,790**	5,000	-	5,000
Unearned premiums	**93,597**	**(31,408)**	**62,189**	105,972	(42,753)	63,219
Total liabilities as of 31 December	**296,877**	**(162,926)**	**133,951**	317,325	(184,979)	132,346

15 UNEARNED PREMIUMS

The movement in the unearned premiums, and the related reinsurers share, was as follows:

	2015			2014		
	Gross AED '000	Reinsurers' share AED '000	Net AED '000	Gross AED '000	Reinsurers' share AED '000	Net AED '000
Unearned Premiums						
At 1 January	**105,972**	**(42,753)**	**63,219**	90,353	(37,425)	52,928
Earned during the year	**(355,764)**	**142,008**	**(213,756)**	(411,564)	200,223	(211,341)
Written during the year	**343,389**	**(130,663)**	**212,726**	427,183	(205,551)	221,632
At 31 December	**93,597**	**(31,408)**	**62,189**	105,972	(42,753)	63,219

The decrease in unearned premiums amounting to AED 1,030 thousand (2014: increase of AED 10,291 thousand) is disclosed on the face of the income statement.

16 OUTSTANDING CLAIMS

The movement in the provision for outstanding claims, and the related reinsurers share, was as follows:

	2015			2014		
	Gross AED '000	Reinsurers' share AED '000	Net AED '000	Gross AED '000	Reinsurers' share AED '000	Net AED '000
Outstanding claims						
At 1 January	**206,353**	**(142,226)**	**64,127**	199,711	(122,585)	77,126
Insurance claims paid during the year	**(267,923)**	**97,680**	**(170,243)**	(293,030)	113,369	(179,661)
Provided during the year	**233,353**	**(78,265)**	**155,088**	299,672	(133,010)	166,662
At 31 December	**171,783**	**(122,811)**	**48,972**	206,353	(142,226)	64,127

The decrease in provision for outstanding claims amounting to AED 15,155 thousand and increase in IBNR provision of AED 17,790 thousand, totaling to an increase of AED 2,635 thousand (2014: decrease of AED 12,999 thousand) is disclosed on the face of the income statement.

17 TRADE AND OTHER PAYABLES

	2015 AED 000	2014 AED 000
Trade payables	**17,691**	20,198
Due to related parties (note 19)	**23,338**	3,302
Insurance and reinsurance balances payable	**30,423**	31,803
Accrued expenses	**16,162**	27,795
Dividends payable	**6,644**	5,543
Other payables	**13,561**	14,910
	107,819	103,551

Accounts payable are non-interest bearing and are normally settled on 60 to 90 days terms.

18 EMPLOYEES' END OF SERVICE BENEFITS

	2015 AED 000	*2014 AED 000*
At 1 January	**7,986**	7,179
Charge for the year	**2,091**	1,000
Paid during the year	**(930)**	(193)
	9,147	7,986

19 RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Company, and the companies of which they are principal owners and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Compensation of key management personnel of the Company
Compensation of key management personnel of the Company, consisting of salaries and benefits, was AED 8.3 million (2014: AED 7.6 million) made up as follows:

	2015 AED 000	*2014 AED 000*
Short term benefits	**5,235**	5,035
Employees' end of service benefits	**3,069**	2,590
	8,304	7,625

Transactions with related parties

Gross premiums written:		
Directors and related companies	**35,400**	29,573
Claims paid:		
Directors and related companies	**(3,715)**	(4,621)
Board remuneration	**(540)**	(4,500)

Balances with related parties

Due from related parties:		
Directors and related companies	**14,409**	14,099
Due to related parties:		
Associate	**(20,000)**	-
Directors and related companies	**(3,338)**	(3,302)
	(23,338)	(3,302)

20 OTHER EXPENSES

	2015 *AED 000*	*2014* *AED 000*
Staff costs	**32,781**	37,738
Fees and licenses	**2,862**	3,325
Rent	**2,002**	1,532
Depreciation of property and equipment (note 10)	**1,592**	1,247
Provision for impaired receivables, net of reversals (note 7)	**(961)**	(1,585)
Others	**7,736**	7,682
	46,012	49,939
Allocated to:		
Underwriting	**41,086**	39,134
Other expenses	**4,926**	10,805
	46,012	49,939

21 NET INVESTMENT INCOME

	2015 *AED 000*	*2014* *AED 000*
Rental income, net (note 8)	**12,008**	13,153
Changes in fair value of investment properties (note 8)	**11,738**	-
Gain on disposal of investments at fair value through profit or loss	**16,303**	70,416
Changes in fair value of investments at fair value through profit or loss (note 5)	**(57,746)**	(18,670)
Dividend income	**22,344**	16,435
Interest income	**657**	372
Other income	**1,107**	679
	6,411	82,385

22 PROFIT FOR THE YEAR

Profit for the year was arrived at after charging:

	2015 *AED 000*	*2014* *AED 000*
Staff costs	**32,781**	37,738
Depreciation of property and equipment	**1,592**	1,247

23 EARNINGS PER SHARE

Basic earnings per share amounts for the year are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

The following reflects the income and share data used in the earnings per share computations:

	2015	*2014*
Profit for the year (AED '000)	**18,156**	128,754
Weighted number of shares in issue throughout the year	**207,000,000**	207,000,000
Basic and diluted earnings per share (AED)	**0.09**	0.62

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

24 RISK MANAGEMENT

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

Capital management objectives, policies and approach
The Company has established the following capital management objectives, policies and approach to manage the risks that affect its capital position.

The capital management objectives are:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To hold sufficient capital to cover the statutory requirements;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The operations of the Company are also subject to regulatory requirements within the United Arab Emirates where it operates.

24 RISK MANAGEMENT continued

Approach to capital management
The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity funds provided by shareholders.

The Company has had no significant changes in its policies and processes relating to its capital structure during the past year from previous years.

No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014. Capital comprises share capital, legal reserve, statutory reserve, general reserve, capital reserve, investment revaluation reserve and retained earnings, and is measured at AED 775 million as at 31 December 2015 (2014: AED 873 million).

25 INSURANCE AND FINANCIAL RISK

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

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

The chairman of the Insurance Authority vide Board of Directors' Decision No. (25) of 2014 dated 28th December 2014, issued Financial Regulation for Insurance Companies (FRIC) applicable to insurance companies incorporated in the UAE and the foreign insurance companies licensed to practice the activity in the UAE. The major highlights of the new regulation is summarized in the below table:

Regulation
1. Basis of Investing the Rights of the Policy Holders
2. Solvency Margin and Minimum Guarantee Fund
3. Basis of calculating the technical reserves
4. Determining the Company's assets that meet the accrued insurance liabilities
5. Records which the Company shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
6. Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records
7. Accounting policies to be adopted and the necessary forms needed to be prepare and present reports and financial statements

Company is in the process of assessing the requirements to ensure compliance by the required due dates.

25 INSURANCE AND FINANCIAL RISK continued

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

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

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 reinsurance strategy of the Company is designed to protect exposures to individual risks and events based in current risk exposures through cost effective insurance agreements.

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire and general accident (including medical) and marine and aviation risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Fire and general accident
Property
For property insurance contracts the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has obtained necessary reinsurance covers to limit losses from individual claims.

Motor
For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

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

Medical
For medical insurance, the main risks are claims for in-patient which includes the non-excluded cases of medical conditions or bodily injuries requiring hospitalization and claims for out-patient which includes physician consultation, diagnostic procedures, pharmaceuticals, therapies and minor day care surgery.

The Company has excess of loss protection which covers to limit losses from individual claims.

Marine and aviation
For marine and aviation insurance, the main risks are loss or damage to marine hull, aviation craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine and aviation class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has obtained necessary reinsurance covers to limit losses from individual claims.

Concentration of insurance risk
The Company does not have any single insurance contract or small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that many involve significant litigation. The segmental concentration of insurance risk is set out in note 27.

25 INSURANCE AND FINANCIAL RISK continued

Insurance risk continued

Managing reinsurance risk
In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

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 accident year basis for motor and an underwriting year basis for non-motor:

Non-Motor- Gross:

Underwriting year	*2011 and earlier AED '000*	*2012 AED '000*	*2013 AED '000*	*2014 AED '000*	*2015 AED '000*	*Total AED '000*
At the end of the underwriting year	593,653	74,133	127,085	201,418	**84,950**	
One year later	648,876	107,658	147,822	283,920		
Two year later	689,178	106,374	145,042			
Three year later	763,710	101,922				
Four year later	651,216					
Current estimate of cumulative claims	651,216	101,922	145,042	283,920	**84,950**	1,267,050
Cumulative payments to date	(611,677)	(94,622)	(112,131)	(248,469)	**(49,200)**	(1,116,099)
Liability recognised in the statement of financial position	39,539	7,300	32,911	35,451	**35,750**	150,951

Motor- Gross:

Underwriting year	*2011 and earlier AED '000*	*2012 AED '000*	*2013 AED '000*	*2014 AED '000*	***2015 AED '000***	*Total AED '000*
At the end of the underwriting year	361,291	118,121	47,081	55,689	**47,765**	
One year later	362,296	96,874	75,353	91,647		
Two year later	322,657	103,688	79,577			
Three year later	100,644	101,850				
Four year later	281,710					
Current estimate of cumulative claims	281,710	101,850	79,577	91,647	**47,765**	602,549
Cumulative payments to date	(268,686)	(93,695)	(74,010)	(75,703)	**(38,126)**	(550,220)
Liability recognised in the statement of financial position	13,024	8,155	5,567	15,944	**9,639**	52,329

25 INSURANCE AND FINANCIAL RISK continued

Financial risk
The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk. Senior management reviews and agrees policies for managing each of these risks.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

The Company's five largest customers account for 24% of outstanding accounts receivable at 31 December 2015 (2014: 30%).

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company manages credit risk on its cash deposits and investments by ensuring that counter parties have a good credit rating. The Company does not have an internal credit rating of counter parties and consider all counter parties with which the Company deals to be of the same high credit quality.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Equity price risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investment securities. The Company limits market risks 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 the market movements, including analysis of the operational and financial performance of investees.

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

Equity price risk continued
The following table estimates the sensitivity to a possible change in equity markets on the Company's total comprehensive income for the year, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Market index	*Change in variables*	***31 December 2015 Impact on comprehensive income AED '000***	*31 December 2014 Impact on comprehensive income AED '000*
Abu Dhabi Securities Exchange	5%	**17,840**	18,776
Dubai Financial Market	5%	**5,128**	7,352
Other Markets	5%	**25**	20

25 INSURANCE AND FINANCIAL RISK continued

Financial risk continued

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is not excessively exposed to interest rate risk as its interest sensitive assets are repriced frequently.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit based on interest bearing financial assets held at 31 December.

	Effect on profit AED '000
2015	
100 decrease in basis points	**864**
100 increase in basis points	**(864)**
2014	
100 decrease in basis points	186
100 increase in basis points	(186)

Currency risk
Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant loss due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

The Company's major transactions in foreign currencies are in US Dollars. As the exchange rates of the UAE Dirham is pegged to the US Dollar, the Company is not subject to significant currency risk.

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

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

25 INSURANCE AND FINANCIAL RISK continued

Financial risk continued
Liquidity risk continued
The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2015 and 31 December 2014, based on contractual payment dates and current market interest rates.

	Current Up to 1 year AED '000	*Non-current >1 year AED '000*	*Total AED '000*
31 December 2015			
Trade and other payables	**91,117**	**-**	**91,117**
Insurance contract liabilities	**296,877**	**-**	**296,877**
Total	**387,994**	**-**	**387,994**
31 December 2014			
Trade and other payables	75,756	-	75,756
Insurance contract liabilities	317,325	-	317,325
Total	393,081	-	393,081

The expected maturity profile of the assets at 31 December 2015 and 2014 is as follows:

	Current AED '000	*Non-current AED '000*	*Total AED '000*
31 December 2015			
Cash and bank balances	**79,542**	**6,000**	**85,542**
Investments carried at fair value through other comprehensive income	**-**	**190,544**	**190,544**
Investments carried at fair value through profit or loss	**295,105**	**-**	**295,105**
Investments at amortised cost	**-**	**5,000**	**5,000**
Insurance receivables and prepayments	**96,379**	**-**	**96,379**
Reinsurance contracts assets	**162,926**	**-**	**162,926**
Investment properties	**-**	**338,017**	**338,017**
Investment in associates	**-**	**131,918**	**131,918**
Property and equipment	**-**	**7,305**	**7,305**
	633,952	**678,784**	**1,312,736**
31 December 2014			
Cash and bank balances	93,454	6,000	99,454
Investments carried at fair value through other comprehensive income	-	246,249	246,249
Investments carried at fair value through profit or loss	292,360	-	292,360
Investments at amortised cost	-	9,771	9,771
Insurance receivables and prepayments	75,664	-	75,664
Reinsurance contracts assets	184,979	-	184,979
Investment properties	-	326,279	326,279
Investment in associates	-	147,978	147,978
Property and equipment	-	7,005	7,005
	646,457	743,282	1,389,739

Except for end of service benefits of AED 9,147 thousand (2014: AED 7,986 thousand), the Company expects its liabilities of AED 528,755 thousand (2014: AED 509,138 thousand) to mature in less than twelve months from the date of the statement of financial position.

25 INSURANCE AND FINANCIAL RISK continued

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

26 FAIR VALUES

Fair value of financial instruments and non-financial assets
Financial instruments comprise of financial assets and financial liabilities.

The fair values of the financial assets and liabilities of the Company are not materially different from their carrying values at the reporting date.

The following table shows the analysis of financial instruments and non-financial assets recorded at fair value by level of the fair value hierarchy:

	Level 1 AED '000	*Level 2 AED '000*	*Level 3 AED '000*	*Total AED '000*
At 31 December 2015				
Investments carried at fair value through profit or loss	**295,105**	-	-	**295,105**
Investments carried through other comprehensive income	**164,759**	-	**25,785**	**190,544**
Investment properties	-	-	**338,017**	**338,017**
	459,864	-	**363,802**	**823,666**
At 31 December 2014				
Investments carried at fair value through profit or loss	292,360	-	-	292,360
Investments carried through other comprehensive income	230,712	-	15,537	246,249
Investment properties	-	-	326,279	326,279
	523,072	-	341,816	864,888

During the reporting periods ended 31 December 2015 and 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values of non-financial assets:

The fair value of land and buildings was determined based on the market comparable approach that reflects recent transaction prices for similar properties or quotes/bid prices for same or similar assets. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

27 SEGMENT REPORTING

For management purposes the Company is organised into departments based on the classes of insured risks. The reportable operating segments of the Company are fire and general accident, medical, marine, aviation and investments.

Management monitors the underwriting results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on underwriting profit. The following table presents disclosure of segment revenues, measurement of segment profit for the year and their reconciliation to the Company's income and profit for the year.

27.1 Segment revenue and results

	2015					*2014*				
	Marine and aviation AED'000	**Fire and general accident AED'000**	**Medical AED'000**	**Investments AED'000**	**Total AED'000**	*Marine and aviation AED'000*	*Fire and general accident AED'000*	*Medical AED'000*	*Investments AED'000*	*Total AED'000*
Gross premiums written	24,262	201,387	117,740	-	343,389	21,445	284,054	121,684	-	427,183
Reinsurance premium ceded	(22,132)	(101,341)	(7,190)	-	(130,663)	(19,553)	(176,232)	(9,766)	-	(205,551)
Movement in provision for unearned premiums	(217)	243	1,004	-	1,030	170	(12,801)	2,340	-	(10,291)
Net claims incurred	(173)	(70,666)	(102,039)	-	(172,878)	325	(70,814)	(96,173)	-	(166,662)
Net commission earned	3,800	14,232	(10,420)	-	7,612	3,339	16,773	(8,084)	-	12,028
Rental income	-	-	-	12,008	12,008	-	-	-	13,153	13,153
Net investment income , net of finance costs	-	-	-	3,670	3,670	-	-	-	108,833	108,833
Segment profit before allocated expenses	5,540	43,855	(905)	15,678	64,168	5,726	40,980	10,001	121,986	178,693
Allocated expenses	(2,044)	(30,429)	(8,613)	-	(41,086)	(1,411)	(28,691)	(9,032)	-	(39,134)
Segment profit	3,496	13,426	(9,518)	15,678	23,082	4,315	12,289	969	121,986	139,559
Unallocated expenses					(4,926)					(10,805)
Profit for the year					18,156					128,754

27 SEGMENT REPORTING continued

27.2 Segment assets and liabilities

	31 December 2015			*31 December 2014*		
	Underwriting AED '000	***Investments AED '000***	***Total AED '000***	*Underwriting AED '000*	*Investments AED '000*	*Total AED '000*
Segment assets	**264,375**	**1,034,625**	**1,299,000**	274,434	1,098,237	1,372,671
Unallocated assets			**13,736**			17,068
Total assets			**1,312,736**			1,389,739
Segment liabilities	**370,391**	**143,651**	**514,042**	374,623	101,161	475,784
Unallocated liabilities			**23,860**			41,340
Total liabilities			**537,902**			517,124
Capital expenditure	**1,905**	**-**	**1,905**	2,903	-	2,903

27.3 Segment revenue from underwriting departments

The following is an analysis of the Company's revenues (representing gross written premiums and gross commissions earned) classified by major underwriting departments.

	2015 AED 000	*2014 AED 000*
Motor	**132,327**	124,629
Engineering	**21,525**	23,331
Fire and general accidents	**50,005**	43,083
Marine and aviation	**28,591**	25,122
Life, medical and personal assurance	**143,280**	242,148
	375,728	458,313

27.4 Geographical segment

The Company's underwriting business is based entirely within UAE, except for treaty re-insurance arrangements which are held with companies based primarily in Europe. All the investments of the Company are held in the UAE except for certain investments in securities which are held in other countries and investment properties which are held in the United States of America (USA).

Total revenues and total assets by geographical location are detailed below:

	Revenue		***Total assets***	
	2015 AED 000	*2014 AED 000*	***2015 AED 000***	*2014 AED 000*
UAE	**359,131**	441,413	**1,175,443**	1,243,791
Europe	**16,597**	16,900	**42,036**	48,621
USA	**-**	-	**55,417**	55,157
Other countries	**-**	-	**39,840**	42,170
	375,728	458,313	**1,312,736**	1,389,739

28 COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities
At 31 December 2015, the Company had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 7.7 million (2014: AED 7.8 million).

Legal claims
The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of the business. The management, based on advice from independent loss adjusters and internal legal counsel, has made a provision of AED 15.1 million (2014: AED 32 million) representing amounts expected to result in a probable outflow of economic resources.

29 EFFECTS ON RESTATEMENT

As disclosed in note 9, the purchase price allocation exercise for the acquisition of FOODCO Holding PJSC, was completed during 2015, and accordingly the prior year balances were restated to incorporate the results. The impact for the year ended 31 December 2014 is as follows:

	At 31 December 2014 as previously reported AED 000	*Restatements AED 000*	*At 31 December 2014 restated AED 000*
Share of profit of associates	21,665	19,702	41,367
Retained earnings	398,634	17,732	416,366
Legal reserve	72,360	1,970	74,330
Share of other comprehensive income (loss) of associates	15,463	(19,702)	(4,239)