SHARJAH INSURANCE COMPANY P.S.C.

Financial statements and
independent auditor's report
for the year ended 31 December 2015

SHARJAH INSURANCE COMPANY P.S.C.

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INDEPENDENT AUDITOR'S REPORT

The Shareholders of
Sharjah Insurance Company P.S.C.
Sharjah, United Arab Emirates

Report on the Financial Statements

We have audited the accompanying financial statements of **Sharjah Insurance Company P.S.C. (the "Company"), Sharjah, United Arab Emirates** which comprise the statement of financial position as at 31 December 2015, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and its preparation in compliance with applicable provisions of U.A.E. Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

Cont'd...

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Sharjah Insurance Company P.S.C., Sharjah, United Arab Emirates** as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Company has maintained proper books of account;

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

v) as disclosed in Note 7 to the financial statements, the Company has purchased and invested in shares during the year ended 31 December 2015;

vi) Note 22 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

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 or in respect of the Company's Articles of Association which would materially affect its activities or its financial position as at 31 December 2015;

viii) Further, as required by UAE Federal Law no 6 of 2007 and the related Financial Regulations for Insurance Companies and as disclosed in note 3.1 to the financial statements, the Company is in the process of complying with the requirements of Financial Regulations issued by the Insurance Authority especially pertaining to the Article 1 of Section 7 and Appendix 1 relating to the presentation of the financial statements; and

ix) No social contributions were made during the year ended 31 December 2015.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No 386
24 March 2016

Statement of financial position
At 31 December 2015

	Notes	2015 AED	2014 AED (Restated)
ASSETS			
Non-current assets			
Property and equipment	5	936,391	1,322,495
Investment properties	6	35,953,090	35,953,090
Investments designated at fair value through other comprehensive income (FVTOCI)	7.1	211,260,278	274,821,694
Statutory deposit	8	2,500,000	2,500,000
Total non-current assets		250,649,759	314,597,279
Current assets			
Reinsurance contract assets	9	34,837,299	25,375,937
Insurance and other receivables	10	56,624,059	70,465,113
Investments at fair value through profit or loss (FVTPL)	7.2	40,126,088	31,186,408
Bank balances and cash	11	7,259,110	15,322,715
Total current assets		138,846,556	142,350,173
Total assets		389,496,315	456,947,452
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	137,500,000	137,500,000
Statutory reserve	13.1	40,524,342	40,524,342
General reserve	13.2	30,000,000	30,000,000
Cumulative change in fair value of financial investments designated at FVTOCI		(67,256,177)	(20,562,257)
Retained earnings		106,180,129	112,216,937
Total equity		246,948,294	299,679,022
Non-current liabilities			
Provision for employees' end of service indemnity	14	2,457,364	2,377,645
Current liabilities			
Insurance contract liabilities	9	86,973,831	70,349,111
Insurance and other payables	15	53,116,826	59,500,437
Bank overdrafts	16	-	25,041,237
Total current liabilities		140,090,657	154,890,785
Total liabilities		142,548,021	157,268,430
Total equity and liabilities		389,496,315	456,947,452

Chairman **Vice Chairman** **General Manager**

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

Statement of income
For the year ended 31 December 2015

	Notes	2015 AED	2014 AED (Restated)
Insurance premium revenue	17	**73,559,432**	78,101,824
Insurance premium ceded to reinsurers	17	**(37,341,665)**	(51,355,425)
Net insurance premium revenue	17	**36,217,767**	26,746,399
Gross claims incurred	9	**(71,664,860)**	(74,503,439)
Reinsurance share of claims incurred	9	**25,176,639**	13,599,444
Net claims incurred	9	**(46,488,221)**	(60,903,995)
Net commission earned		**8,269,401**	9,825,819
Underwriting loss		**(2,001,053)**	(24,331,777)
General and administrative expenses relating to underwriting activities		**(9,465,806)**	(9,421,175)
Net underwriting loss		**(11,466,859)**	(33,752,952)
Investment and other income	18	**3,418,765**	29,309,239
Finance costs		**(303,402)**	(1,432,533)
Unallocated general and administrative expenses		**(2,063,025)**	(2,118,995)
Allowance for doubtful debts	10	**(2,800,000)**	-
Loss for the year	19	**(13,214,521)**	(7,995,241)
Basic loss per share	20	**(0.10)**	(0.06)

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

Statement of comprehensive income
For the year ended 31 December 2015

	2015 AED	2014 AED (Restated)
Loss for the year	**(13,214,521)**	(7,995,241)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net fair value (loss)/gain on investments designated at FVTOCI	**(27,708,456)**	10,199,540
Gain on sale of investments designated at FVTOCI	**1,942,249**	5,906,638
Total other comprehensive (loss)/income for the year	**(25,766,207)**	16,106,178
Total comprehensive (loss)/income for the year	**(38,980,728)**	8,110,937

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

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

	Share capital AED	Statutory reserve AED	General reserve AED	Cumulative change in fair value of financial investments designated at FVTOCI AED	Retained earnings AED	Total AED
Balance at 31 December 2013	137,500,000	39,955,469	30,000,000	(21,495,501)	119,358,117	305,318,085
Loss for the year – (as restated)	-	-	-	-	(7,995,241)	(7,995,241)
Other comprehensive income	-	-	-	10,199,540	5,906,638	16,106,178
Total comprehensive income for the year	-	-	-	10,199,540	(2,088,603)	8,110,937
Transfer to retained earnings on disposal of investments designated at FVTOCI	-	-	-	(9,266,296)	9,266,296	-
Transfer to statutory reserve	-	568,873	-	-	(568,873)	-
Dividend (Note 28)	-	-	-	-	(13,750,000)	(13,750,000)
Balance at 31 December 2014 – (as restated)	137,500,000	40,524,342	30,000,000	(20,562,257)	112,216,937	299,679,022
Loss for the year	-	-	-	-	(13,214,521)	(13,214,521)
Other comprehensive loss	-	-	-	(27,708,456)	1,942,249	(25,766,207)
Total comprehensive loss for the year	-	-	-	(27,708,456)	(11,272,272)	(38,980,728)
Transfer to retained earnings on disposal of investments designated at FVTOCI	-	-	-	(18,985,464)	18,985,464	-
Dividend (Note 28)	-	-	-	-	(13,750,000)	(13,750,000)
Balance at 31 December 2015	**137,500,000**	**40,524,342**	**30,000,000**	**(67,256,177)**	**106,180,129**	**246,948,294**

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

Statement of cash flows
For the year ended 31 December 2015

	2015 AED	2014 AED (Restated)
Cash flows from operating activities		
Loss for the year	**(13,214,521)**	(7,995,241)
Adjustments for:		
Depreciation of property and equipment	**508,474**	576,220
Allowance for doubtful debts	**2,800,000**	-
Provision for employees' end of service indemnity	**172,486**	571,357
Investment income	**(3,467,468)**	(28,862,158)
Finance costs	**303,402**	1,432,533
Property and equipment written off	**-**	1,902
Operating cash flows before changes in operating assets and liabilities	**(12,897,627)**	(34,275,387)
(Increase)/decrease in reinsurance contract assets	**(9,461,362)**	17,368,312
Increase/(decrease) in insurance contract liabilities	**16,624,720**	(5,772,475)
Decrease in insurance and other receivables	**11,041,054**	5,153,133
Decrease in insurance and other payables	**(6,716,449)**	(1,041,777)
Cash used in operations	**(1,409,664)**	(18,568,194)
Employees' end of service indemnity paid	**(92,767)**	(197,001)
Interest paid	**(303,402)**	(1,432,533)
Net cash used in operating activities	**(1,805,833)**	(20,197,728)
Cash flows from investing activities		
Purchase of property and equipment	**(122,370)**	(74,344)
Purchase of investment properties	**-**	(408,000)
Purchase of investments designated at FVTOCI	**(1,886,785)**	(1,142,175)
Purchase of investments at FVTPL	**(36,993,798)**	(67,144,927)
Proceeds from disposal of investments designated at FVTOCI	**39,681,994**	32,170,518
Proceeds from disposal of investments at FVTPL	**18,999,279**	37,887,313
Proceeds from sale of investment properties	**-**	30,000,000
Interest received	**62,282**	57,004
Dividend received	**9,845,490**	11,418,846
Income from investment properties - net	**2,614,535**	3,137,514
Net cash generated from investing activities	**32,200,627**	45,901,749
Cash flows from financing activities		
Decrease in bank overdrafts	**(25,041,237)**	(13,217,187)
Dividend paid	**(13,417,162)**	(13,613,095)
Net cash used in financing activities	**(38,458,399)**	(26,830,282)
Net decrease in cash and cash equivalents	**(8,063,605)**	(1,126,261)
Cash and cash equivalents at the beginning of the year	**12,822,715**	13,948,976
Cash and cash equivalents at the end of the year (Note 21)	**4,759,110**	12,822,715

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

1. General information

Sharjah Insurance Company P.S.C. - Sharjah (the "Company") is incorporated as a public shareholding company by an Amiri Decree issued by His Highness, The Ruler of Sharjah on 8 March 1970. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies register of Insurance Authority of U.A.E. under registration No.12. The Company operates through its head office in Sharjah and has branches in Dubai and Ajman. The address of the Company's registered office is P.O. Box 792, Sharjah, United Arab Emirates.

The principal activity of the Company is dealing in all types of insurance including life assurance. The Company mainly carries out general insurance business.

2. Application of new and revised International Financial Reporting Standards ("IFRS")

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

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

<u>New and revised IFRSs</u>	**Effective for annual periods beginning on or after**
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative	1 January 2016
Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortization	1 January 2016

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants	1 January 2016
Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7 and IAS 19.	1 January 2016
Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
IFRS 15 *Revenue from Contracts with Customers*: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2018
IFRS 16 *Leases:* IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for final version of IFRS 9, may have no material impact on the financial statements of the Company in the period of initial application.

The application of the finalised version of IFRS 9 (2014) may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Company performs a detailed review.

3. Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented.

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates (U.A.E.) Federal Law No. (2) of 2015 and United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations.

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

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

The Company is in the process of implementing requirements to comply fully with the Financial Regulations and Circular No. (4) of 2016 concerning the 2015 annual report requirements for insurance companies operating in the UAE. This mainly include preparation of the financial statements and disclosures based on Appendix (1) of the Financial Regulations.

3. Significant accounting policies (continued)

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that have been measured at revalued amounts, amortised cost or fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

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

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

The principal accounting policies are set out below.

3.3 Insurance contracts

3.3.1 Change in accounting policy

As disclosed in Note 3.1 to the financial statements, the financial regulation issued by Insurance Authority provide an alignment period to the insurance companies between one to three years from the publication of financial regulation in Public Gazette from 29 January 2015 to align the operations to the covenants of the regulations therein. The Company is in the process of aligning the operations with the requirement of the regulations and will be fully aligned before the deadline for alignment period.

On 1 October 2015, the Company has early adopted the above directives that relates to basis of recognising technical reserves. Consequently, the Company has changed its basis for recognising unexpired premium risk ("UPR"), and has created provision relating to unallocated loss adjustment expenses. The UPR and provision relating to unallocated loss adjustment expenses are calculated based on actuarial valuation carried out by registered actuary, who is independent to the Company.

Prior to the change in the accounting policy, the Company had recognised revenue (earned premium) from insurance contracts using internal statistical model. The change in accounting policy in the current year has resulted in recognising earned premium on time-proportion basis wherein revenue from an insurance contract is recognised over the effective period of the policy with the exception of marine where the UPR is recognised as fixed proportion of the written premiums as required in the financial regulation.

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.1 Change in accounting policy (continued)

Management takes the view that the change in accounting policy provides more relevant and reliable information of the Company's financial performance and financial position to the economic decisions making of the users of the financial statements. The change in accounting policy has been retrospectively applied by the Company. The effects of change in accounting policy are described in note 29 to the financial statements.

The principal accounting policies that have been changed due to the change in accounting policy described above and are set out below.

3.3.2 Definition, recognition and measurement

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk.

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

3.3.3 Short-term insurance contracts

These contracts are casualty, property and short-duration life insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events.

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

Short-duration life insurance contracts protect the Company's customers from the consequences of events that would affect on the ability of the customer or customer's dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these insurance contracts, premiums are recognised as revenue (earned premiums) on time-proportion basis wherein revenue from an insurance contract is recognised over the effective period of the policy with the exception of marine, where the UPR is recognised as fixed proportion of the written premiums as required in the financial regulation issued by Insurance Authority. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability.

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.3 Short-term insurance contracts (continued)

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct claims settlement costs and arise from events that have occurred up to the reporting date even if even they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Unallocated loss adjustment expense reserves correspond to the provision representing future claim expenses and related handling costs that are not case specific. It represents all other expenses and costs that are related to the adjudication of claims but cannot be assigned to a specific claim and is calculated based on recommendation of Company's external actuarial valuation report.

3.3.4 Reinsurance contracts

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

3.3.5 Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the end of the reporting period, in addition for claims incurred but not reported.

The reinsurers' portion of the above outstanding claims and unearned premium is classified as reinsurance contract assets in the financial statements.

3.3.6 Salvage and subrogation reimbursements

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

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.7 Liability adequacy test

At the end of each reporting period, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

3.3.8 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets

3.4 Revenue recognition

3.4.1 Insurance contract income

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

3.4.2 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3.4.3 Dividend income

Dividend income from investments is recognised when the Company's rights to receive payment have been established.

3.4.4 Rental income

Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

3.5 General and administrative expenses

85% of general and administrative expenses for the year are allocated to insurance departments in proportion to each department's share of written premium.

3. Significant accounting policies (continued)

3.6 Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the financial statements.

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

Exchange differences are recognized in profit or loss in the year in which they arise.

3.7 Employee benefits

3.7.1 Defined contribution plan

U.A.E. national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Company is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

3.7.2 Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

3.7.3 Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the U.A.E. Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service indemnity is disclosed as a non-current liability.

3.8 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3. Significant accounting policies (continued)

3.8 Property and equipment (continued)

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

The useful lives considered in the calculation of depreciation for all the assets are 4 - 5 years.

3.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultants.

3.10 Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

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

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

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

3. Significant accounting policies (continued)

3.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.13 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company has no finance leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.14 Financial assets

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

Financial assets of the Company are classified into the following specified categories: cash and cash equivalents, 'financial assets measured at fair value through other comprehensive income (FVTOCI)', financial assets at fair value through profit and loss (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. Significant accounting policies (continued)

3.14 Financial assets (continued)

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

3.14.1 Bank balances and cash

Bank balances and cash comprise cash on hand and fixed deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.14.2 Financial investments designated at fair value through other comprehensive income (FVTOCI)

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities in equity. Fair value is determined in the manner described in Note 26. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities in equity is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividend on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividend is established in accordance with IAS 18 Revenue, unless the dividend clearly represent a recovery of part of the cost of the investment.

3.14.3 Financial assets at fair value through profit or loss (FVTPL)

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 26.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Company's right to receive the dividend is established in accordance with IAS 18 Revenue, unless the dividend clearly represent a recovery of part of the cost of the investment.

3. Significant accounting policies (continued)

3.14 Financial assets (continued)

3.14.4 Loans and receivables

Insurance and other receivables (excluding prepayments) that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.14.5 Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.14.6 Derecognition of financial assets

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

3. Significant accounting policies (continued)

3.15 Financial liabilities and equity instruments issued by the Company

3.15.1 Classification as debt or equity

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

3.15.2 Equity instruments

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

3.15.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Company does not have any financial liabilities measured at FVTPL.

3.15.4 Other financial liabilities

Insurance and other payables are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

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

3.15.5 Derecognition of financial liabilities

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

3.15.6 Dividend distribution

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

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3 to these financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Classification of investments

Management decides on acquisition of an investment whether it should be classified as FVTPL or FVTOCI. The Company classifies investments at FVTPL if they are acquired primarily for the purpose of making a short term profit by the dealers.

Equity instruments are classified as financial assets measured at FVTOCI when they are considered by management to be strategic equity investments that are not held to benefit from changes in their fair value and are not held for trading.

Management is satisfied that the Company's investments in securities are appropriately classified.

4.1.2 Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on external actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

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

4.2 Key sources of estimation uncertainty (continued)

4.2.2 Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating, the credit and liquidity position of the policyholders and the insurance companies, historical recovery rates including detailed investigations carried out during 2015 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

4.2.3 Liability adequacy test

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

4.2.4 Valuation of unquoted equity instruments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using expected cash flows discounted at current rates for similar instruments or other valuation models.

4.2.5 Depreciation of property and equipment

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial.

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

5. Property and equipment

	Decoration and office improvements AED	Furniture and office equipments AED	Total AED
Cost			
At 31 December 2013	1,730,250	2,188,019	3,918,269
Additions during the year	-	74,344	74,344
Written off during the year	(9,775)	(317,098)	(326,873)
At 31 December 2014	1,720,475	1,945,265	3,665,740
Additions during the year	-	122,370	122,370
At 31 December 2015	**1,720,475**	**2,067,635**	**3,788,110**
Accumulated depreciation			
At 31 December 2013	426,480	1,665,516	2,091,996
Charge for the year	328,150	248,070	576,220
Written off during the year	(9,775)	(315,196)	(324,971)
At 31 December 2014	744,855	1,598,390	2,343,245
Charge for the year	328,150	180,324	508,474
At 31 December 2015	**1,073,005**	**1,778,714**	**2,851,719**
Carrying amount			
At 31 December 2015	**647,470**	**288,921**	**936,391**
At 31 December 2014	975,620	346,875	1,322,495

At 31 December 2015, the cost of fully depreciated property and equipment that was still in use amounted to AED 1,406,602 (2014: AED 1,137,802).

6. Investment properties

	2015 **AED**	2014 AED
Fair value at the beginning of the year	**35,953,090**	53,225,090
Additions during the year	-	408,000
Disposal during the year	-	(17,680,000)
Fair value at the end of the year	**35,953,090**	35,953,090

Investment properties are stated at fair value and are located in U.A.E. Fair value represents the amounts at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of the valuation. Valuations are performed on a periodic basis, at least annually, and the fair value gains and losses are recorded in the profit or loss.

The fair value of the Company's investments properties as at 31 December 2015 has been arrived at on the basis of valuations carried by internal valuers who have appropriate market experience in the valuation of properties in the United Arab Emirates.

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Investment properties includes properties mortgaged to Insurance Authority of U.A.E. amounting to AED 16.3 million (2014: AED 16.3 million) in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organisation of its operations (Note 8).

The Company's investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2015 (2014: Level 3).

The property rental income earned by the Company from its investment properties and the direct operating expenses related to the investment properties are as follows:

	2015 **AED**	2014 AED
Rental income	**2,664,546**	3,241,606
Direct operating expenses	**(50,011)**	(104,092)
Income from investment properties (Note 18)	**2,614,535**	3,137,514

7. Financial investments

The Company's financial investments at the end of reporting period are detailed below:

7.1 Financial investments designated at FVTOCI

	2015 AED	2014 AED
Quoted securities	**205,710,044**	269,148,499
Unquoted securities	**5,550,234**	5,673,195
	211,260,278	274,821,694

Financial investments at FVTOCI with fair value of AED 36.1 million (2014: AED 47.9 million) are pledged to the bank against credit facility granted to the Company (see Note 16).

The geographical classification of the investments is as follows:

	2015 AED	2014 AED
Within U.A.E.	**155,972,418**	216,029,679
In other GCC countries	**55,287,860**	58,792,015
	211,260,278	274,821,694

7.2 Financial investments at FVTPL

	2015 AED	2014 AED
Quoted securities in U.A.E.	**40,126,088**	31,186,408

The movements in financial investments are as follows:

	At fair value through other comprehensive income		At fair value through profit or loss	
	2015 AED	2014 AED	**2015 AED**	2014 AED
Fair value, at the beginning of the year	**274,821,694**	289,743,859	**31,186,408**	-
Purchased during the year	**1,886,785**	1,142,175	**36,993,798**	67,144,927
Disposals during the year	**(37,739,745)**	(26,263,880)	**(15,577,158)**	(32,680,013)
Change in fair value	**(27,708,456)**	10,199,540	**(12,476,960)**	(3,278,506)
Fair value, at the end of the year	**211,260,278**	274,821,694	**40,126,088**	31,186,408

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

8. Statutory deposit

In accordance with the requirements of Federal Law No. 6 of 2007, on Establishment of Insurance Authority of U.A.E. and Organisation of its operations, the Company maintains a bank deposit of AED 2,500,000 (31 December 2014: AED 2,500,000) as a statutory deposit. In addition to the aforementioned fixed deposit there are investment properties with a fair value amounting to AED 16.3 million (2014: AED 16.3 million) pledged to Insurance Authority (see note 6).

9. Insurance contract liabilities and reinsurance contract assets

	2015 AED	2014 AED (Restated)
Gross		
Insurance contract liabilities		
Claims reported unsettled	**45,212,920**	33,933,870
Unallocated loss adjustment exposure reserve	**2,166,926**	2,026,275
Unexpired risk reserve	**3,291,224**	2,605,021
Claims incurred but not reported	**9,947,813**	3,543,268
Unearned premium	**26,354,948**	28,240,677
Total insurance contract liabilities, gross	**86,973,831**	70,349,111
Recoverable from reinsurers		
Re-insurance contract assets		
Claims reported unsettled	**28,104,216**	19,153,642
Unearned premium	**6,733,083**	6,222,295
Total reinsurers' share of insurance liabilities	**34,837,299**	25,375,937
Net		
Claims reported unsettled	**17,108,704**	14,780,228
Unallocated loss adjustment exposure reserve	**2,166,926**	2,026,275
Unexpired risk reserve	**3,291,224**	2,605,021
Claims incurred but not reported	**9,947,813**	3,543,268
Unearned premium	**19,621,865**	22,018,382
	52,136,532	44,973,174

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

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

Movements in the insurance contract liabilities and reinsurance contract assets during the year were as follows:

	2015			2014 (Restated)		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
Claims						
Notified claims	33,933,870	(19,153,642)	14,780,228	40,571,992	(27,938,168)	12,633,824
Unallocated loss adjustment expense reserve	2,026,275	-	2,026,275	-	-	-
Unexpired risk reserve	2,605,021	-	2,605,021	-	-	-
Incurred but not reported	3,543,268	-	3,543,268	3,058,175	-	3,058,175
Total at the beginning of the year	42,108,434	(19,153,642)	22,954,792	43,630,167	(27,938,168)	15,691,999
Claims settled in the year	(53,154,411)	16,226,065	(36,928,346)	(76,025,172)	22,383,970	(53,641,202)
Increase in liabilities	71,664,860	(25,176,639)	46,488,221	74,503,439	(13,599,444)	60,903,995
Total at the end of the year	60,618,883	(28,104,216)	32,514,667	42,108,434	(19,153,642)	22,954,792
Notified claims	45,212,920	(28,104,216)	17,108,704	33,933,870	(19,153,642)	14,780,228
Unallocated loss adjustment expense reserve	2,166,926	-	2,166,926	2,026,275	-	2,026,275
Unexpired risk reserve	3,291,224	-	3,291,224	2,605,021	-	2,605,021
Incurred but not reported	9,947,813	-	9,947,813	3,543,268	-	3,543,268
Total at the end of the year	60,618,883	(28,104,216)	32,514,667	42,108,434	(19,153,642)	22,954,792
Unearned premium						
Total at the beginning of the year	28,240,677	(6,222,295)	22,018,382	32,491,419	(14,806,081)	17,685,338
Increase during the year	26,354,948	(6,733,083)	19,621,865	28,240,677	(6,222,295)	22,018,382
Release during the year	(28,240,677)	6,222,295	(22,018,382)	(32,491,419)	14,806,081	(17,685,338)
Net (decrease)/increase during the year (Note 17)	(1,885,729)	(510,788)	(2,396,517)	(4,250,742)	8,583,786	4,333,044
Total at the end of the year	26,354,948	(6,733,083)	19,621,865	28,240,677	(6,222,295)	22,018,382

10. Insurance and other receivables

	2015 AED	2014 AED
Receivables arising from insurance and reinsurance contracts		
Due from policyholders	**25,962,963**	38,307,810
Allowance for doubtful debts	**(1,341,252)**	(1,341,252)
	24,621,711	36,966,558
Due from local insurance companies	**22,597,846**	15,614,109
Due from foreign insurance companies	**12,160,448**	16,404,752
Due from brokers	**827,022**	999,769
Allowance for doubtful debts	**(4,696,717)**	(1,896,717)
	30,888,599	31,121,913
Other receivables		
Prepayments and others	**1,113,749**	2,376,642
	56,624,059	70,465,113

The average credit period is 120 days. Due from policyholders outstanding between 180 days and 365 days are provided for (other than for government related entities) based on estimated irrecoverable amounts determined by reference to past default experience.

Before accepting any new customer, the Company assesses the potential customers' credit quality and defines credit limits by customer. Of the due from policyholders balance at the end of year, AED 10.3 million (2014: AED 14.1 million) is due from the Company's largest customer.

Included in the Company's due from policyholders balance receivable balances with a carrying amount of AED 16.7 million (2014: AED 27.8 million) which are past due at the reporting date for which the Company has not considered provision for impairment as there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

10. Insurance and other receivables (continued)

Ageing of insurance receivables:

	2015 AED	2014 AED
Neither past due nor impaired	**15,220,763**	19,001,352
Past due but not impaired:		
180 to 365 days	**19,520,022**	23,948,652
More than 365 days	**20,769,525**	25,138,467
	40,289,547	49,087,119
Past due and impaired – policyholders and insurance companies	**6,037,969**	3,237,969
Total	**61,548,279**	71,326,440
Due from government related entities included in above	**11,682,354**	22,603,814

Movements in allowance for doubtful debts:

	2015 AED	2014 AED
Balance at the beginning of the year	**3,237,969**	3,237,969
Allowance made during the year	**2,800,000**	-
Balance at the end of the year	**6,037,969**	3,237,969

In determining the recoverability of an insurance receivable, the Company considers any change in the credit quality of the insurance receivable from the date credit was initially granted up to the reporting date.

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the available allowance for doubtful debts.

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

11. Bank balances and cash

	2015 AED	2014 AED
Fixed deposits under lien	**2,500,000**	2,500,000
Call accounts	**230,910**	113,040
Current accounts and cash	**4,528,200**	12,709,675
	7,259,110	15,322,715

Fixed deposits are under lien against credit facilities granted to the Company (Note 16).

The interest rate on fixed deposits with banks is 1% to 1.2% (2014: 1% to 1.2%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

Bank balances are held:

	2015 AED	2014 AED
Within U.A.E.	**5,478,803**	12,553,361
Outside U.A.E	**1,780,307**	2,769,354
	7,259,110	15,322,715

12. Share capital

	2015 AED	2014 AED
Authorised, issued and fully paid: 137.5 million ordinary shares of AED 1 each (2014: 137.5 million ordinary shares of AED 1 each)	**137,500,000**	137,500,000

13. Reserves

13.1 Statutory reserve

In accordance with U.A.E. Federal Commercial Companies Law Number (2) of 2015, as amended, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

13.2 General reserve

The general reserve is established through transfers from profit for the year as recommended by the Board of Directors and approved by the Shareholders at the Annual General Meeting. The reserve is distributable based on a recommendation by the Board of Directors, approved by a Shareholders' resolution.

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

14. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2015 AED	2014 AED
Balance at the beginning of the year	**2,377,645**	2,003,289
Amounts charged to income during the year	**172,486**	571,357
Amounts paid during the year	**(92,767)**	(197,001)
	2,457,364	2,377,645

15. Insurance and other payables

	2015 AED	2014 AED
Payables arising from insurance and reinsurance contracts:		
Trade payables	**23,018,708**	11,915,308
Due to insurance companies	**21,678,978**	39,368,305
Due to brokers	**142,366**	295,369
	44,840,052	51,578,982
Other payables		
Accrued expenses and provisions	**4,215,829**	4,193,348
Unclaimed dividend	**2,557,626**	2,224,788
Other payables	**1,503,319**	1,503,319
	53,116,826	59,500,437

16. Bank overdrafts

The bank overdraft facility is secured by lien over fixed deposit of AED 2.5 million (Note 11) and pledge over investments designated at FVTOCI having a fair value of AED 36.1 million (2014: AED 47.9 million) (Note 7).

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

17. Net insurance premium revenue

	2015 AED	2014 AED (Restated)
Gross premium written		
Gross premium written	**71,673,703**	73,851,082
Change in unearned premium (Note 9)	**1,885,729**	4,250,742
	73,559,432	78,101,824
Reinsurance premium ceded		
Reinsurance premium ceded	**(37,852,453)**	(42,771,639)
Change in unearned premium (Note 9)	**510,788**	(8,583,786)
	(37,341,665)	(51,355,425)
Net insurance premium revenue	**36,217,767**	26,746,399

18. Investment and other income

	2015 AED	2014 AED
Profit from disposal of financial investments at FVTPL	**3,422,121**	5,207,300
Unrealised loss on financial investments at FVTPL	**(12,476,960)**	(3,278,506)
Dividend from investments	**9,845,490**	11,418,846
Income from investment properties (Note 6)	**2,614,535**	3,137,514
Profit from disposal of investment properties	**-**	12,320,000
Interest on bank deposits	**62,282**	57,004
	3,467,468	28,862,158
Other (expenses)/income - net	**(48,703)**	447,081
	3,418,765	29,309,239

19. Loss for the year

Loss for the year has been arrived at after charging the following expenses:

	2015 AED	2014 AED
Staff costs	**5,647,563**	6,269,353
Depreciation of property and equipment	**508,474**	576,220

20. Basic loss per share

	2015	2014 (Restated)
Loss for the year (in AED)	**(13,214,521)**	(7,995,241)
Number of shares	**137,500,000**	137,500,000
Basic loss per share (in AED)	**(0.10)**	(0.06)

Basic loss per share has been calculated by dividing the loss for the year by the number of shares outstanding at the end of the reporting period.

21. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks net of fixed deposits in banks with maturity over three months. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2015 AED	2014 AED
Bank balances and cash (see Note 11)	**7,259,110**	15,322,715
Fixed deposit under lien (see Note 11)	**(2,500,000)**	(2,500,000)
Cash and cash equivalents	**4,759,110**	12,822,715

22. Related party transactions

Related parties include the Company's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

At the end of the reporting period, amounts due from/to related parties included under due from policyholders and gross outstanding claims were as follows:

	2015 AED	2014 AED
Due from policyholders	**1,184,108**	803,411
Due to policyholders	**1,032,537**	445,682

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received and no expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

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

22. Related party transactions (continued)

Transactions:

During the year, the Company entered into the following transactions with related parties:

	2015 AED	2014 AED
Sale of investment properties	-	30,000,000
Gross premium written	1,531,797	1,686,200
Claims paid	1,530,280	1,022,230
Rent paid	745,000	745,000

The Company has entered into above transactions with related parties which were made on substantially the same terms, as those prevailing at the same time for comparable transactions with third parties.

Compensation of board of directors/key management personnel

	2015 AED	2014 AED
Short-term benefits	600,000	600,000
Long-term benefits	25,000	25,000
Directors' fees	400,000	-

23. Contingent liabilities

	2015 AED	2014 AED
Letters of guarantee	132,000	126,000

24. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

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

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

24. Insurance risk (continued)

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

24.1 Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, impose deductibles and reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

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

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

24.2 Sources of uncertainty in the estimation of future claim payments

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

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

24. Insurance risk (continued)

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

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

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

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

	2015	2014
Type of risk		
Motor	**100 – 110%**	100 – 105%
Non-motor	**50 – 55%**	75 – 80%

24.3 Process used to decide on assumptions

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

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

24. Insurance risk (continued)

24.4 Concentration of insurance risk

Substantially all of the Company's underwriting activities are carried out in the United Arab Emirates.

The insurance risk before and after reinsurance in relation to the motor and non-motor insurance risk accepted is summarised below:

	2015 Type of risk			2014 Type of risk		
	Motor AED '000	**Non-Motor AED '000**	**Total AED '000**	Motor AED '000	Non-Motor AED '000	Total AED '000
Gross	**1,055,114**	**28,302,559**	**29,357,673**	1,430,179	27,725,220	29,155,399
Net	**1,047,498**	**6,886,757**	**7,934,255**	1,359,124	6,195,938	7,555,062

24.5 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 arrangement with other parties for reinsurance purposes.

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

24.6 Sensitivity of underwriting profit and losses

The contribution by the insurance operations is a loss of AED 11.5 million for the year ended 31 December 2015 (2014 (restated): loss of AED 33.8 million). The Company does not foresee any major impact from insurance operations to the Company's results and expects to increase the contribution by insurance operations to the profitability due to the following reasons:

The Company has an overall retention level of 51% (2014 (restated): 42.1%) and the same is mainly contributed by one class of business i.e., Motor line wherein the retention level is 100%. However, in this class, the risk is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company earns a net commission income of AED 8.3 million (2014: AED 9.8 million). These commissions arise primarily from the reinsurance placements and are a consistent and recurring source of income.

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

25. Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In U.A.E., Insurance Authority specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

The table below summarises the minimum required capital of the Company and the total capital held.

	2015 AED	2014 AED
Total capital held	**137,500,000**	137,500,000
Minimum regulatory capital	**100,000,000**	100,000,000

The UAE Insurance Authority has issued resolution no. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing insurance firms and AED 250 million for reinsurance firms. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The Company is in compliance with the minimum capital requirements.

As disclosed in 3.1 to the financial statements, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for insurance companies; and were then subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The minimum capital requirements remain at AED 100 million for insurers and AED 250 million for reinsurers.

26. Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

26.1 Significant accounting policies

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

26. Financial instruments (continued)

26.2 Categories of financial instruments

	2015 AED	2014 AED
Financial assets		
Financial investments designated at FVTOCI	**211,260,278**	274,821,694
Financial investments at FVTPL	**40,126,088**	31,186,408
Statutory deposit	**2,500,000**	2,500,000
Insurance and other receivables (excluding prepayments)	**55,879,480**	69,719,301
Bank balances and cash	**7,259,110**	15,322,715
Total	**317,024,956**	393,550,118
Financial liabilities		
Insurance and other payables	**53,116,826**	59,500,437
Bank overdrafts	-	25,041,237
Total	**53,116,826**	84,541,674

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

26.3 Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

26. Financial instruments (continued)

26.3 Fair value measurements (continued)

	Fair value as at 31 December 2015 AED	31 December 2014 AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Investment designated at FVTOCI						
Quoted equity securities	**205,710,044**	269,148,499	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**5,550,234**	5,673,195	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets were determined based on the latest available audited/historical financial information.	Net asset value	Higher the net assets, value of the investees, higher the fair value.
Investment at FVTPL						
Quoted equity securities	**40,126,088**	31,186,408	Level 1	Quoted bid prices in an active market.	None	N/A

There were no transfers between each of level during the year.

Below is a reconciliation of movements in level 3 financial assets measured at fair values:

	2015 AED	2014 AED
Balance at the beginning of the year	**5,673,195**	5,733,556
Disposals during the year	**(122,961)**	(60,361)
Balance at the end of the year	**5,550,234**	5,673,195

26.4 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

26. Financial instruments (continued)

26.5 Foreign currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

26.6 Credit risk

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

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

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

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

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

At the end of the reporting period, the Company's maximum exposure to credit risk, from insurance receivables situated outside the U.A.E. were as follows:

	2015 AED	2014 AED
Europe	**694,191**	5,061,305
Other Arab countries	**10,170,488**	9,639,261
Other G.C.C. countries	-	148,574

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

26. Financial instruments (continued)

26.6 Credit risk (continued)

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

26.7 Liquidity risk

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

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

	Less than 30 days AED	31-90 days AED	91-180 days AED	181 - 365 days AED	Above 365 days AED	Total AED
31 December 2015						
Financial assets						
Investments designated at FVTOCI	-	-	-	-	211,260,278	211,260,278
Financial investment at FVTPL	40,126,088	-	-	-	-	40,126,088
Statutory deposit	-	-	-	-	2,500,000	2,500,000
Insurance and other receivables	13,156,429	6,057,991	8,743,691	18,533,139	9,388,230	55,879,480
Bank balances and cash – non interest bearing	4,528,200	-	-	-	-	4,528,200
Bank balances and cash – interest bearing	230,910	-	-	-	2,500,000	2,730,910
	58,041,627	6,057,991	8,743,691	18,533,139	225,648,508	317,024,956
Financial liabilities						
Insurance and other payables	10,623,365	8,498,692	9,561,029	6,905,187	17,528,553	53,116,826

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

26. Financial instruments (continued)

26.7 Liquidity risk (continued)

	Less than 30 days AED	31-90 days AED	91-180 days AED	181 - 365 days AED	Above 365 days AED	Total AED
31 December 2014						
Financial assets						
Investments designated at FVTOCI	-	-	-	-	274,821,694	274,821,694
Financial investment at FVTPL	31,186,408	-	-	-	-	31,186,408
Statutory deposit	-	-	-	-	2,500,000	2,500,000
Insurance and other receivables	12,330,081	16,420,690	9,760,701	20,691,992	10,515,837	69,719,301
Bank balances and cash – non interest bearing	12,709,675	-	-	-	-	12,709,675
Bank balances and cash – interest bearing	113,040	-	-	-	2,500,000	2,613,040
	56,339,204	16,420,690	9,760,701	20,691,992	290,337,531	393,550,118
Financial liabilities						
Insurance and other payables	18,194,329	9,431,435	11,963,091	14,157,532	5,754,050	59,500,437
Bank overdrafts	8,683,309	9,569,585	3,252,894	2,199,186	1,336,263	25,041,237
	26,877,638	19,001,020	15,215,985	16,356,718	7,090,313	84,541,674

26.8 Interest risk

The Company's exposure to interest rate risk relates to its bank deposits. At 31 December 2015, bank deposits carried interest at the range of 1% to 1.2% per annum (2014: 1 to 1.2% per annum). There are no bank overdrafts as at 31 December 2015.

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Company's (loss)/profit for the year ended 31 December 2015 and equity as at 31 December 2015 would increase/decrease by approximately AED 12,500 (2014: AED 125,206).

The Company's sensitivity to interest rates has not changed significantly from the prior year.

26. Financial instruments (continued)

26.9 Equity price risk

26.9.1 Sensitivity analysis

At the end of the reporting period, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Company's:

- loss for the year would have decreased/increased by AED 4,012,609 (2014: AED 3,118,640).
- other comprehensive (loss)/income and equity would have increased/decreased by AED 21.1 million (2014: AED 27.5 million).

26.9.2 Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk at the reporting date.
- At the end of the reporting period, if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and equity has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

27. Segment information

The Company is organised into four main business segments, accident and liabilities insurance, fire insurance, marine insurance and other classes of insurance.

These segments are the basis on which the Company reports its primary segment information to the Managing Director.

Insurance premium represents the total income arising from insurance contracts. The Company does not conduct any business outside U.A.E. There are no transactions between the business segments.

Segmental information is presented below:

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

27. Segment information (continued)

	Underwriting (AED)					Investments	Total
31 December 2015	**Accident and liabilities**	**Fire**	**Marine**	**Others**	**Total AED**	**AED**	**AED**
Segment revenue – gross	47,880,593	19,981,418	2,250,538	1,561,154	71,673,703	-	71,673,703
Segment result (net)	(11,279,024)	(176,989)	(510,020)	499,174	(11,466,859)	3,115,363	(8,351,496)
Unallocated costs							(4,863,025)
Loss for the year							(13,214,521)
Segment assets					93,961,358	289,839,456	383,800,814
Unallocated assets							5,695,501
Total assets							389,496,315
Segment liabilities					137,533,031	-	137,533,031
Unallocated liabilities							5,014,990
Total liabilities							142,548,021

There are no transactions between the business segments.

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

27. Segment information (continued)

31 December 2014 (Restated)	Underwriting (AED)					Investments	Total
	Accident and liabilities	Fire	Marine	Others	Total AED	AED	AED
Segment revenue – gross	52,539,559	17,584,706	2,277,275	1,449,542	73,851,082	-	73,851,082
Segment result (net)	(29,873,365)	(4,413,613)	256,134	277,892	(33,752,952)	27,876,706	(5,876,246)
Unallocated costs							(2,118,995)
Loss for the year							(7,995,241)
Segment assets					98,341,050	344,461,192	442,802,242
Unallocated assets							14,145,210
Total assets							456,947,452
Segment liabilities					127,624,760	25,041,237	152,665,997
Unallocated liabilities							4,602,433
Total liabilities							157,268,430

There are no transactions between the business segments.

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

28. Dividend

During the year, cash dividend of AED 13.75 million (AED 10 fils per share) was paid to the shareholders for the year 2014 (2014: AED 13.75 million, AED 10 fils per share for 2013).

The Board of Directors propose that a dividend of AED 5 fils per share amounting to AED 6.875 million be paid to the shareholders in 2016. These are subject to approval by the shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

29. Changes in accounting policy

Effects of changes in accounting policies

As disclosed in note 3.3.1, the Company has voluntarily changed its accounting policy for recognising UPR and has created provision relating to unallocated loss adjustment expenses. It was not practicable for the Company to retrospectively adjust the comparatives balance as at 1 January 2014 and as such comparative information for the year 31 December 2014 have been adjusted to reflect the effect of the change in accounting policy.

(a) Impact of change in accounting policies on the statement of financial position as at 31 December 2014

	As previously reported as at 31 December 2014 AED	Restatement AED	As at 31 December 2014 (Restated) AED
Reinsurance contract assets	34,705,082	(9,329,145)	**25,375,937**
Insurance contract liabilities	65,994,283	4,354,828	**70,349,111**
Retained earnings	125,900,910	(13,683,973)	**112,216,937**

(b) Impact of change in accounting policies on the statement of profit or loss for the year ended 31 December 2014

	As previously reported as at 31 December 2014 AED	Restatement AED	As at 31 December 2014 (Restated) AED
Net insurance premium revenue	35,904,696	9,158,297	**26,746,399**
Net claims incurred	56,378,319	4,525,676	**60,903,995**
Profit/(loss) for the year	5,688,732	(13,683,973)	**(7,995,241)**

30. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 24 March 2016.