Grant Thornton

DUBAI NATIONAL INSURANCE & REINSURANCE P.S.C.

DUBAI - UNITED ARAB EMIRATES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2014

Dubai National Insurance & Reinsurance P.S.C.
Financial Statements

Table of contents

Directors' Report

On behalf of the Board of Directors, I am pleased to welcome you to this Ordinary General Assembly of Dubai National Insurance & Reinsurance PSC, and to present its twenty third annual report and accounts for the financial year 2014.

The challenges for the insurance industry are the intense competition and excess treaty capacity, which have led to rate cutting among the insurers. The Insurance sector is facing a price war, with insurers offering premium rates often reaching levels too low to sustain technical profits. This has resulted in underwriting profits of many an insurance company deteriorating rapidly, as they are not able to meet the increase in claims and overheads with such wafer-thin premium margins. It is time that insurance companies realize the need to adjust the level of pricing for maintaining a sustainable financial operation.

The Board takes pride in conveying that your company has neither resorted to under pricing for the sake of increasing business nor relied heavily on investment income for achieving profits. The company's strategy of prudent underwriting approach has consistently yielded a steady growth in the insurance profits, in addition to the stable investment income. The fundamentals of your company are strong: excellent people, robust systems and good customer service. This will form the foundation for sustained growth in the future

2014 was yet another profitable year for the company. Maintaining consistent growth along with profitability has been a key challenge, but we are pleased to report the excellent results as below:

- Gross Written Premiums rose from AED 166.633 Million in 2013 to AED 200.069 Million in 2014 registering a growth of 20%.
- The Net Underwriting Income increased from AED 33.464 Million to AED 36.878 Million reflecting a growth of 10%.
- The Net profit of the company improved from AED 30.207 Million to AED 35.771 Million indicating a growth of 18%.
- The Board is pleased to recommend to the shareholders a cash dividend of 20% - AED 23.100 Million.

The Board takes this opportunity to thank all our shareholders, policyholders, business partners and employees for their unstinted and continued support. The Board also would like to express its appreciation to the valuable advice, guidance and support received from The Insurance Authority, The Securities and Commodities Authority, and the statutory auditors.

KHALAF AHMED AL HABTOOR
Chairman of the Board of Directors

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Independent Auditor's Report
To the Shareholders of Dubai National Insurance & Reinsurance P.S.C.

Report on the Financial Statements

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of the Company as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the U.A.E. Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of its Operations and UAE Federal Law No. 8 of 1984 (as amended), we also confirm that we have obtained all the information and explanations necessary for our audit, proper books of account have been kept by the Company and the contents of the Directors' report which relate to the financial statements are in agreement with the Company's books of account. To the best of our knowledge and belief, no violations of above mentioned laws and regulations or of the Articles of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

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P.O. Box: 1620
DUBAI-U.A.E.
Public Accountants

Farouk Mohamed
(Registration no: 86)
Dubai, United Arab Emirates
February 4, 2015

Dubai National Insurance & Reinsurance P.S.C.
Financial Statements

Statement of financial position
As at December 31, 2014

	Notes	2014	2013
ASSETS		AED'000	AED'000
Non-current assets			
Statutory deposits	4	10,268	10,268
Property and equipment	5	787	593
Investment property	6	83,294	85,141
		94,349	96,002
Current assets			
Financial assets	7	335,482	228,861
Insurance receivables	8	37,491	26,738
Other receivables	9	1,990	2,561
Due from related parties	10	5,745	6,938
Re-insurer's contract assets	11	115,001	107,693
Cash in hand and at banks including deposits	12	73,314	55,265
		569,023	428,056
TOTAL ASSETS		663,372	524,058
EQUITY AND LIABILITIES			
Equity			
Share capital	13	115,500	115,500
Legal reserve	14	57,750	57,750
Obligatory reserve	15	28,875	28,875
General reserve	16	220,000	220,000
Fair value reserve on financial assets at fair value through other comprehensive income		38,289	(150,634)
(Accumulated losses)/Retained earnings		(37,751)	34,242
TOTAL EQUITY		422,663	305,733
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	17	3,039	2,636
Current liabilities			
Insurance contract liabilities	11	168,971	159,144
Insurance payables	18	40,541	36,779
Other payables	19	22,198	16,262
Due to related parties	10	5,960	3,504
		237,670	215,689
TOTAL LIABILITIES		240,709	218,325
TOTAL EQUITY AND LIABILITIES		663,372	524,058

These financial statements were approved by the Board of Directors on February 4, 2015 and signed on their behalf by:

Khalaf Ahmed Al Habtoor
Chairman

Mohammed Khalaf Al Habtoor
Managing Director

The notes from 1 to 32 form an integral part of these financial statements.

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Income statement
For the year ended December 31, 2014

	Notes	2014 AED'000	2013 AED'000
Gross premium		200,069	166,633
Reinsurance share of premium		(129,989)	(101,739)
Net premium		70,080	64,894
Net transfer to unearned premium reserve	11-a	(12)	(3,654)
Net premium earned		70,068	61,240
Commission earned		19,974	16,765
Commission paid		(18,710)	(16,791)
Others		5,005	4,223
Gross underwriting income		76,337	65,437
Gross claims paid		95,502	72,951
Reinsurance share		(58,550)	(41,141)
Net claims paid		36,952	31,810
Provision for outstanding claims and technical provisions		(2,927)	4,036
Reinsurance share of outstanding claims		5,434	(3,873)
Net claims incurred		39,459	31,973
Net underwriting income		36,878	33,464
Income from investment –net	20	8,576	6,976
Income from investment property - net	21	10,710	9,489
Other Income	22	395	156
Gross income		56,559	50,085
General and administrative expenses	23	(20,788)	(19,878)
Net profit for the year		35,771	30,207
		AED	AED
Earning per share:			
Basic and diluted	24	0.31	0.26

The notes from 1 to 32 form an integral part of these financial statements.

Statement of comprehensive income
For the year ended December 31, 2014

	2014 AED'000	2013 AED'000
Net profit for the year	**35,771**	30,207
Other comprehensive income		
Net unrealized gain on investments	**107,259**	110,298
Translation of operating assets and liabilities of overseas branch	-	(1)
Total comprehensive income for the year	**143,030**	140,504

The notes from 1 to 32 form an integral part of these financial statements.

Statement of changes in equity
For the year ended December 31, 2014

	Share capital AED'000	Legal reserve AED'000	Obligatory reserve AED'000	General reserve AED'000	Fair value reserve on financial assets at fair value through other comprehensive income AED'000	(Accumulated losses)/ Retained earnings AED'000	Total AED'000
Balance as at January 1, 2013	115,500	57,448	28,875	220,000	(260,932)	29,851	190,742
Dividend	-	-	-	-	-	(23,100)	(23,100)
Directors' remuneration	-	-	-	-	-	(2,413)	(2,413)
Transfer to legal reserve	-	302	-	-	-	(302)	-
Transactions with owners	-	302	-	-	-	(25,815)	(25,513)
Profit for the year	-	-	-	-	-	30,207	30,207
Other comprehensive income:							
Net unrealized gain on investments	-	-	-	-	110,298	-	110,298
Adjustment on translation of overseas branch results	-	-	-	-	-	(1)	(1)
Total other comprehensive income for the year	-	-	-	-	110,298	(1)	110,297
Balance as at December 31, 2013	**115,500**	**57,750**	**28,875**	**220,000**	**(150,634)**	**34,242**	**305,733**
Balance as at January 1, 2014	115,500	57,750	28,875	220,000	(150,634)	34,242	305,733
Dividend	-	-	-	-	-	(23,100)	(23,100)
Directors' remuneration	-	-	-	-	-	(3,000)	(3,000)
Transactions with owners	-	-	-	-	-	(26,100)	(26,100)
Profit for the year	-	-	-	-	-	35,771	35,771
Transfer from fair value reserve	-	-	-	-	81,664	(81,664)	-
Other comprehensive income:							
Net unrealized gain on investments			-	-	107,259	-	107,259
Total other comprehensive income for the year	-	-	-	-	107,259	-	107,259
Balance as at December 31, 2014	**115,500**	**57,750**	**28,875**	**220,000**	**38,289**	**(37,751)**	**422,663**

The notes from 1 to 32 form an integral part of these financial statements.

Statement of cash flows
For the year ended December 31, 2014

	Notes	2014 AED'000	2013 AED'000
Operating activities			
Net profit for the year		35,771	30,207
Adjustments for:			
Depreciation on property and equipment	5	412	763
Depreciation on investment property	6	1,847	1,847
Profit on disposal of property and equipment	22	(57)	(156)
Provision for employees' end of service benefits	17	489	615
Directors' remuneration	19	(3,000)	(2,413)
Insurance contract provisions		9,827	16,442
Reinsurance contract assets		(7,308)	(12,625)
Dividend and interest on long-term deposits – net	20	(8,576)	(6,976)
Income from investment property – net		(12,557)	(11,336)
Operating profit before changes in working capital		16,848	16,368
Changes in working capital			
Insurance receivables		(10,753)	8,490
Other receivables		571	(179)
Insurance payables		3,762	(5,926)
Other payables		5,936	2,541
Due from/(to) related parties-net		3,649	7,697
		20,013	28,991
Employees' end of service benefits paid	17	(86)	(95)
Net cash from operating activities		19,927	28,896
Investing activities			
Purchase of property and equipment	5	(606)	(361)
Purchase of investments		(154,971)	-
Proceeds from disposals of property and equipment		57	215
Proceeds from sale of investments		155,609	-
Dividend and interest on long term deposits – net	20	8,576	6,976
Income from investment property – net		12,557	11,336
Cash flow from investing activities		21,222	18,166
Financing activities			
Dividends paid	26	(23,100)	(23,100)
Cash flow used in financing activities		(23,100)	(23,100)
Net increase in cash and cash equivalents		18,049	23,962
Cash and cash equivalents at beginning of the year		55,265	31,304
Exchange difference on translation of overseas branch		-	(1)
Cash and cash equivalents at end of the year	12	73,314	55,265

The notes from 1 to 32 form an integral part of these financial statements.

1 Legal status and activities

Dubai National Insurance & Reinsurance (P.S.C.) (the "Company") is a public shareholding company incorporated in Dubai on January 6, 1992 with an overseas branch in Beirut, Lebanon.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the United Arab Emirates ("U.A.E.") Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and U.A.E Federal Law No. 8 of 1984 (as amended) relating to insurance companies and insurance agents.

The registered address of the Company is at Floor 7 & 9, Dubai National Insurance Building, Port Saeed, P.O Box 1806, Dubai, U.A.E.

The total number of staff employed by the Company as at December 31, 2014 was 94 (2013: 96).

The overseas branch in Beirut is in the process of being wound down. Accordingly, the related license as required by local regulations has been terminated. The related guarantee is blocked with the Ministry of Economic & Commerce, Insurance Affairs Department in Lebanon until it meets all its obligations, as published in the official gazette dated April 2004. The branch has no operations and the total expenses and assets of the branch are not material to these financial statements. Hence, these financial statements do not separately disclose the expenses, assets, liabilities and cash flows for the discontinued operations of the branch.

2 Statement of compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and applicable requirements of U.A.E. Federal Law No. 8 of 1984 (as amended) relating to commercial companies, and of U.A.E. Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations, concerning insurance companies and agents. The financial statements are prepared in U.A.E. Dirhams ("AED"), rounded off to the nearest thousand.

2.1 Standards, interpretations and amendments to existing standards

2.2 Standards, interpretations and amendments to existing standards that are effective in 2014

Following relevant new standards, revisions and amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 1, 2014 and have been adopted by the Company:

Standard number	Title	Effective date
IAS 32	Financial Instruments: Presentation – Amendment	January 1, 2014
IAS 36	Impairment of Assets – Amendment	January 1, 2014
IAS 39	Financial Instruments: Recognition and Measurement – Amendment	January 1, 2014

2 Statement of compliance with IFRS (continued)

2.3 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, the following new standards, interpretations and amendments to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Standard number	Title	Effective date
IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets – Amendments	January 1, 2016
IAS 16 and IAS 41	Property, Plant and Equipment and Agriculture – Amendments	January 1, 2016
IAS 27	Separate Financial Statements – Amendments	January 1, 2016
IFRS 9	Financial Instruments – Amendments	January 1, 2018
	Annual Improvements 2010 – 2012	
IFRS 8	Operating Segments – Amendments	July 1, 2014
IFRS 13	Fair Value Measurement – Amendments	July 1, 2014
IAS 16	Property, Plant and Equipment – Amendments	July 1, 2014
IAS 24	Related Party Disclosures – Amendments	July 1, 2014
IAS 38	Intangible Assets – Amendments	July 1, 2014
	Annual Improvements 2011 – 2013	
IFRS 13	Fair Value Measurement – Amendments	July 1, 2014
IAS 40	Investment Property – Amendments	July 1, 2014
	Annual Improvements 2012 – 2014	
IAS 34	Interim Financial Reporting – Amendments	January 1, 2016
IFRS 7	Financial Instruments: Disclosures – Amendments	January 1, 2016

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on the relevant new standards, amendments and interpretations that are not yet effective have been provided below. The Company's management has yet to assess the impact of these new and revised standards on the Company's financial statements, unless specifically stated.

2 Statement of compliance with IFRS (continued)

2.3 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company (continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Amendments (effective for accounting period beginning on or after January 1, 2016)

The amendments to IAS 16 'Property, Plant and Equipment and IAS 38 'Intangible Assets':

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated; and
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Amendments (effective for accounting period beginning on or after January 1, 2016)

The amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

On the initial application of the amendments, entities are permitted to use the fair value of items of bearer plant as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognised in opening retained earnings at the beginning of the earliest period presented resulting in retrospective application.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41. For government grants related to bearer plants, IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' will apply.

IAS 27 Separate Financial Statements – Amendments (effective for accounting period beginning on or after January 1, 2016)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS.

2 Statement of compliance with IFRS (continued)

2.3 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company (continued)

IFRS 9 Financial Instruments – Amendments (effective for accounting period beginning on or after January 1, 2018)

In July 2014, the IASB issued the final version of IFRS 9 'Financial Instruments' which reflects all phases of the financial instruments project and replaces IAS 39 'Financial Instruments: Recognition and Measurement' and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

Classification and measurement

Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment

The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting

Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures

Derecognition

The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is effective for accounting period beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

Management has yet to assess the impact of this revised standard on the Company's financial statements.

Annual Improvements 2010 – 2012

IFRS 8 Operating Segments – Amendments (effective for accounting period beginning on or after July 1, 2014)

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'.

The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

2 Statement of compliance with IFRS (continued)

2.3 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company (continued)

IFRS 13 Fair Value Measurement – Amendments (effective for accounting period beginning on or after July 1, 2014)

The amendments clarify that the issuance of IFRS 13 and consequential amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 16 Property, Plant and Equipment – Amendments (effective for accounting period beginning on or after July 1, 2014)

The amendments remove perceived inconsistencies in the accounting for accumulated depreciation when an item of property, plant and equipment is revalued. The amended requirements clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

An entity is required to apply these amendments to all revaluations recognised in the annual period in which the amendments are first applied and in the immediately preceding annual period. An entity is permitted, but not required, to restate any earlier periods presented.

IAS 24 Related Party Disclosures – Amendments (effective for accounting period beginning on or after July 1, 2014)

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

IAS 38 Intangible Assets – Amendments (effective for accounting period beginning on or after July 1, 2014)

The amendments remove perceived inconsistencies in the accounting for accumulated amortisation when an item of intangible asset is revalued. The amended requirements clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

An entity is required to apply these amendments to all revaluations recognised in the annual period in which the amendments are first applied and in the immediately preceding annual period. An entity is permitted, but not required, to restate any earlier periods presented.

2 Statement of compliance with IFRS (continued)

2.3 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company (continued)

Annual Improvements 2011 – 2013

IFRS 13 Fair Value Measurement – Amendments (effective for accounting period beginning on or after July 1, 2014)

The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, an accounted for in accordance with, IAS 39 'Financial Instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments', even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32 'Financial Instruments: Presentation'.

IAS 40 Investment Property – Amendments (effective for accounting period beginning on or after July 1, 2014)

The amendment clarifies that IAS 40 and IFRS 3 'Business Combinations' are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether (a) the property meets the definition of investment property in IAS 40 and (b) the transaction meets the definition of a business combination under IFRS 3 'Business Combinations'.

The amendment applies prospectively for acquisitions of investment property in periods commencing on or after July 1, 2014. An entity is only permitted to adopt the amendments early and/or restate prior periods if the information to do so is available.

Annual Improvements 2012 – 2014

IAS 34 Interim Financial Reporting – Amendments (effective for accounting period beginning on or after January 1, 2016)

The amendment clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

IFRS 7 Financial Instruments: Disclosures – Amendments (effective for accounting period beginning on or after January 1, 2016)

The amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. It also clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

3 Summary of significant accounting policies

3.1 Accounting convention

The financial statements are prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more described in the accounting policies on the next page.

3 Summary of significant accounting policies (continued)

3.2 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

The rates of depreciation used are based on the following estimated useful lives of the assets:

	Years
Furniture and fixtures	4-11
Motor vehicles	3
Computer equipment	4

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the assets and are recognised in profit or loss within 'other income'.

3.3 Investment property

Investment property is initially recognized at cost and subsequent to the initial recognition; investment properties are accounted for using cost model and are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the investment property which is estimated at 40 years.

No depreciation is charged on freehold land.

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 gain or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Fair value of investment properties are determined by open market values based on valuations performed by an independent surveyor only for disclosure purposes.

3.4 Revenue recognition

Gross premium

Gross premium and policy fees are recognised as income when insurance policies are issued to the insured, consequent to the acceptance of the risk.

Commission on reinsurance

Commission is recognised at the time the policies are written excluding profit commission which is recognised at the time of settlement.

Interest income

Interest income is recognised on an accrual basis taking into account effective interest rates on the instrument, on a time proportionate basis when it becomes due.

Rental income

Rental income from investment property is recognised on a straight line basis over the term of the lease.

3 Summary of significant accounting policies (continued)

3.4 Revenue recognition (continued)

Dividend income
Dividend income is recognised when the right to receive payment is established.

3.5 Claims

Claims incurred comprise actual claims and other related costs paid and incurred in the year, and movement in outstanding claims. Claim handling costs are recognised at the time of registering the claims.

On account of uncertainties involved in non-motor claim recoveries, salvage and subrogation rights are recognised only at the time of actual recovery. For motor claim recoveries, salvage is accounted for at the time of registering the claims.

Provision for outstanding claims represents the estimated settlement values of all claims notified, but not settled at the statement of financial position date on the basis of individual case estimates.

The reinsurers' portion towards the above outstanding claims is classified as reinsurance contract assets and it is shown as current assets in the financial statements.

3.6 Provision for IBNR

In addition to outstanding claims a provision for Incurred But Not Reported claims ("IBNR") is made at the statement of financial position date based on management estimates of net claims. The method used by the Company to calculate the provisions takes into account certain ratios based on historical trends and details of reinsurance programmes to assess the expected quantum of reinsurance recoveries. These reserves are at gross values with reinsurance portion being shown separately under current assets.

3.7 Liability adequacy test

All recognised insurance liabilities including provision for outstanding claims are subject to liability adequacy test at each reporting date. This involves comparison of current estimates of all contractual cash flows attached to these liabilities with their carrying amounts. Estimates of contractual cash flows include expected claim handling costs and recoveries from third parties. Any deficiency in carrying amounts is charged to the income statement by establishing a provision for losses arising from liability adequacy test.

3.8 Unearned Premium Reserve

The Unearned Premium Reserve (UPR) represents that portion of premiums earned gross of reinsurance, which relate to the period of insurance subsequent to the statement of financial position date and is computed on linear method based on the outstanding period from the date of statement of financial position up to the date of the maturity of the policy.

3.9 Reinsurance premium

Ceded reinsurance premiums are accounted for in the same accounting periods as the premiums for the related direct insurance, and the unearned portion is calculated on linear basis in accordance with reinsurance arrangements in place.

3 Summary of significant accounting policies (continued)

3.10 Reinsurance assets

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

3.11 Financial instruments

(a) Financial assets

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial assets at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Loans and receivables comprise cash and cash equivalents, insurance receivables, due from related parties, reinsurance contract assets and most other receivables.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Investments at fair value through other comprehensive income *('FVTOCI')*

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. They are initially recognised at fair value plus transaction costs.

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable investee's data.

3 Summary of significant accounting policies (continued)

3.11 Financial instruments (continued)

(a) Financial assets (continued)

Investments at fair value through other comprehensive income *('FVTOCI') (continued)*

Gains or losses on subsequent measurement

Gain or loss arises from change in fair value of investments at FVTOCI and is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to income statement, but is reclassified to retained earnings.

De-recognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or surrendered. A financial liability is derecognised when it is extinguished. The Company uses the specific identification method to determine the gains or losses on de-recognition.

Impairment and uncollectability of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the income statement. Impairment is determined as below:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the income statement; and

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Classification and subsequent measurement of financial assets

The Company classifies its financial assets as investments at 'fair value through other comprehensive income' ('FVTOCI') and 'loans and receivables' at amortised cost. The classification depends on the nature of these investments.

(b) Financial liabilities

Financial liabilities comprise insurance contract provisions, insurance payables, due to related parties and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

3 Summary of significant accounting policies (continued)

3.11 Financial instruments (continued)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.12 Receivables and payables related to insurance contracts

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

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and realises the impairment loss in the income statement.

3.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) are recognized in the period in which the service is rendered.

Provision for employees' end of service benefits

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the U.A.E. Labour Law and is reported as separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in U.A.E. Labour Law. The expected costs of these benefits are accrued over the period of employment.

The provision for staff terminal benefit is based on the liability that would arise if the employment of all the employees was terminated at the end of the reporting period.

3.14 Foreign currency transactions

Transactions in foreign currencies are translated to U.A.E. Dirhams ('AED') at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3.15 Impairment

The carrying amounts of the Company's assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the income statement. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3 Summary of significant accounting policies (continued)

3.16 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

3.17 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits balances with original maturities of less than 3 months and free from lien.

3.18 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

3.19 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other details for reserves are mentioned in notes 14, 15 and 16 to the financial statements.

Accumulated losses/retained earnings include all current and prior period retained profits or losses.

Dividend distribution payable to equity shareholders is included in other liabilities only when the dividends have been approved in a general assembly meeting prior to the reporting date.

3.20 Critical accounting estimates and judgements in applying accounting policy

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Outstanding claims, IBNR and UPR

The estimation of the ultimate liability (outstanding claims and IBNR) arising from claims and UPR made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events.

3 Summary of significant accounting policies (continued)

3.20 Critical accounting estimates and judgements in applying accounting policy

Classification of investment property and related fair value judgement

The Company makes judgement to determine whether a property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner occupied property is not significant and is classified accordingly as investment property.

Fair value of investment property is estimated by an independent professional valuer for disclosure purposes only, considering the rental yield (income approach). This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Unquoted investments

Unquoted securities as at December 31, 2014 were fair valued by an independent valuer based on Earnings Multiple technique to arrive at the estimated fair value of these investments. The independent valuer considered observable market data of comparable public entities and certain unobservable investee's data.

Provision for doubtful debts

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of insurance and reinsurance receivables.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

3.21 Segment reporting

Under IFRS 8 "Operating Segments", reported segments' profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies used by the Company for segment reporting under IFRS 8 are the same as those used in its financial statements.

4 Statutory deposits

	2014	2013
	AED '000	AED '000
(i) Deposit with a local bank in Dubai, U.A.E. held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 42 of Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of its Operations relating to insurance companies and brokers. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.	**10,000**	10,000
(ii) Restricted fixed deposit in favour of the Ministry of Economy & Commerce, Government of Lebanon, as per law no. 31/91 of Insurance companies held under lien by bank against guarantee issued deposit in LL 110 million (2013: LL 110 million).	**268**	268
	10,268	10,268

5 Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
Cost				
At January 1, 2014	1,796	411	2,854	5,061
Additions	47	93	466	606
Disposals	(6)	(96)	-	(102)
At December 31, 2014	**1,837**	**408**	**3,320**	**5,565**
Accumulated depreciation				
At January 1, 2014	1,650	361	2,457	4,468
Charge for the year	97	56	259	412
Disposals	(6)	(96)	-	(102)
At December 31, 2014	**1,741**	**321**	**2,716**	**4,778**
Net book value At December 31, 2014	**96**	**87**	**604**	**787**
Cost				
At January 1, 2013	1,723	703	2,601	5,027
Additions	73	35	253	361
Disposals	-	(327)	-	(327)
At December 31, 2013	1,796	411	2,854	5,061
Accumulated depreciation				
At January 1, 2013	1,433	521	2,018	3,972
Charge for the year	217	107	439	763
Disposals	-	(267)	-	(267)
At December 31, 2013	1,650	361	2,457	4,468
Net book value At December 31, 2013	146	50	397	593

6 Investment property

	2014 AED '000	2013 AED '000
Cost		
At January 1,	**105,721**	105,721
Accumulated depreciation		
At January 1,	**20,580**	18,733
Charge for the year	**1,847**	1,847
At December 31,	**22,427**	20,580
Net book value at December 31,	**83,294**	85,141

On December 31, 2014, Land Sterling Property Consultants, independent and experienced professional valuer estimated the fair value of the investment properties at AED 181.5 million (2013: AED 175.9 million). The valuer holds relevant professional qualification and experience. The properties are held for capital appreciation and for rental purposes. The Company occupies an insignificant area of 9% (2013: 9%) of these properties for use in its own business.

7 Financial assets

Financial instruments measured at fair value

Financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair values of the financial assets are classified into these three levels as follows:

	Note	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
December 31, 2014					
Investment in quoted securities	(a)	280,221	-	-	280,221
Investment in unquoted securities*	(b)	-	-	55,261	55,261
Net fair value		280,221	-	55,261	335,482
December 31, 2013					
Investment in quoted securities	(a)	199,361	-	-	199,361
Investment in unquoted securities*	(b)	-	-	29,500	29,500
Net fair value		199,361	-	29,500	228,861

7 Financial assets (continued)

Financial instruments measured at fair value (continued)

* The title of the unquoted securities is held by related parties for the beneficial interest of the Company.

(a) Investment in quoted securities:
Fair values have been determined by reference to their quoted prices at the reporting date.

(b) Investment in unquoted securities:

Unquoted securities as at December 31, 2014 were fair valued by an independent valuer based on Earnings Multiple Technique. The expert used observable market data of comparable public entities, applied certain discount factors and used unobservable financial data of these non-public investees. Since latest financial information of investee entities was not publicly available until the date of the issue of these financial statements, the valuer used financial information reported as at December 31, 2013 (2013: based on Earnings Multiple technique based on financial statements of investee entities as on December 31, 2012). The valuer believes that the fair value would not be significantly different if the data of investee entities as at December 31, 2014 could be used based on availability; however this has been treated as a significant and best possible estimate considering the non-availability of required data.

Level 3 value measurements

The reconciliation of carrying amounts of financial instruments classified within level 3 is as follows:

	2014 AED '000	2013 AED '000
Investments in unquoted securities		
Balance as at January 1,	**29,500**	24,846
Gains or losses recognised in other comprehensive income	**25,761**	4,654
Balance as at December 31	**55,261**	29,500

8 Insurance receivables

	2014 AED '000	2013 AED '000
Due from policy holders	**2,647**	5,731
Due from insurance companies	**7,213**	8,498
Due from reinsurance companies	**4,522**	2,417
Due from insurance brokers	**27,897**	14,426
	42,279	31,072
Provision for doubtful debts	**(4,788)**	(4,334)
	37,491	26,738

The average credit period is 90 days. Insurance receivables outstanding over one year, which are impaired and not recoverable, are fully provided.

9 Other receivables

	2014 AED '000	2013 AED '000
Prepayments	1,264	1,880
Accrued interest	60	97
Other receivables	666	584
	1,990	2,561

10 Related party balances

Details of related parties' balances are as follows:

Amounts due from related parties

Related parties due to common directorship

	2014 AED '000	2013 AED '000
Al Habtoor Leighton L.L.C.	2,751	5,058
Diamond Lease L.L.C.	2,040	783
Other Habtoor Group companies	954	1,097
	5,745	6,938

Amounts due to related parties

	2014 AED '000	2013 AED '000
Common directorship (2013: Shareholder)		
Al Habtoor Motors Co L.L.C.	5,802	3,331
Other (related parties due to common directorship):		
Other Habtoor Group companies	158	173
	5,960	3,504

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as contained in IFRS. Management believes that the terms of such transactions are mutually agreed between the parties.

Details of significant transactions with related parties are on the following page:

10 Related party balances (continued)

	2014 AED '000	2013 AED '000
Premiums written	76,866	62,756
Claims paid	10,562	11,564
Commission paid	3,556	4,044
Agency / Non-Agency repairs	27,872	20,689
Key management remuneration		
Short term benefits	1,869	2,303
Post-employment benefits	180	177
	2,049	2,480

11 Insurance contract liabilities

Assumptions and sensitivities

The process used to determine assumptions for assessing claims provision is reviewed and updated to be consistent with observable market practices and other reliable information to result in most likely expected outcome.

However, considering the nature of business it cannot be predicted with certainty the likely outcome and the actual cost of the claim. But each claim is assessed on a case to case basis depending upon information available and past trends.

An analysis of sensitivity is carried out for various claims which are an indication for establishing the adequacy of the estimation process. The management believes that the liability for claims reported in the statement of financial position is adequate.

Claims development

For all classes of business underwritten by the Company the uncertainty is typically resolved generally within one year except for Motor Insurance where the uncertainty is generally resolved within three years. Claims development over the last five years is analysed in the following page:

11 Insurance contract liabilities (continued)

Underwriting year	2010 & prior AED'000	2011 AED'000	2012 AED'000	2013 AED'000	2014 AED'000	Total AED'000
Estimate of cumulative claims						
At the end of underwriting year	899,915	68,554	43,525	66,088	70,335	
One year later	811,082	78,038	63,477	96,912	-	
Two years later	804,190	79,978	62,497	-	-	
Three years later	793,505	77,445	-	-	-	
Four years later	786,555	-	-	-	-	
Estimate of cumulative claims	786,555	77,445	62,497	96,912	70,335	**1,093,744**
Cumulative payments to date	752,285	73,910	56,092	82,783	46,620	**1,011,690**
Provision for outstanding claims as on December 31, 2014	34,270	3,535	6,405	14,129	23,715	**82,054**
IBNR and other reserves as on December 31, 2014	-	-	-	-	14,490	**14,490**
Gross outstanding claims as on December 31, 2014	34,270	3,535	6,405	14,129	38,205	**96,544**
Reinsurer's share of outstanding claims as on December 31, 2014	29,162	2,029	3,149	11,247	19,630	**65,217**
Net outstanding claims as on December 31, 2014	5,108	1,506	3,256	2,882	18,575	**31,327**
Provision for outstanding claims as on December 31, 2013	46,268	6,798	12,736	33,669	-	**99,471**
Reinsurer's share of outstanding claims as on December 31, 2013	39,329	4,640	9,800	16,882	-	**70,651**

11 Insurance contract liabilities (continued)

		2014			2013		
		Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000	Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000
Unearned Premium Reserves	a	72,427	(49,784)	22,643	59,673	(37,042)	22,631
Insurance contract provisions	b	82,054	(65,217)	16,837	86,859	(70,651)	16,208
Provision for IBNR	c	14,490	-	14,490	12,612	-	12,612
Closing balance		168,971	(115,001)	53,970	159,144	(107,693)	51,451

a) Unearned premium reserve

		2014			2013		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at January 1,	(i)	59,673	(37,042)	22,631	47,267	(28,291)	18,977
Provision made during the year		70,537	(48,434)	22,103	59,673	(37,042)	22,631
Provision released during the year		(57,783)	35,692	(22,091)	(47,267)	28,291	(18,977)
Net movement during the year	(ii)	12,754	(12,742)	12	12,406	(8,751)	3,654
Balance as at December 31,	(i+ii)	72,427	(49,784)	22,643	59,673	(37,042)	22,631

11 Insurance contract liabilities (continued)

b) Insurance contract provisions

		2014			2013		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at January 1,	(i)	86,859	(70,651)	16,208	82,516	(66,777)	15,739
Provision made during the year		90,697	(53,116)	37,581	77,295	(45,015)	32,280
Settled during the year		(95,502)	58,550	(36,952)	(72,952)	41,141	(31,811)
Net movement during the year	(ii)	(4,805)	5,434	629	4,343	(3,874)	469
Balance as at December 31,	(i + ii)	82,054	(65,217)	16,837	86,859	(70,651)	16,208

c) Provision for IBNR

		2014			2013		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at January 1,	(i)	12,612	-	12,612	12,919	-	12,919
Provision made during the year		14,490	-	14,490	12,612	-	12,612
Provision released during the year		(12,612)	-	(12,612)	(12,919)	-	(12,919)
Net movement during the year	(ii)	1,878	-	1,878	(307)	-	(307)
Balance as at December 31,	(i + ii)	14,490	-	14,490	12,612	-	12,612

12 Cash and cash equivalents

	2014 AED'000	2013 AED'000
Cash in hand and at banks	**73,314**	55,265

(a) Cash at banks includes AED 0.06 million (2013: AED 0.18 million) converted from Lebanese Lira (LL).

(b) Cash and bank includes short term deposits (3 months) with local banks carrying interest ranging from 0.1% - 1.3% (2013: 0.5% - 1.25%).

13 Share capital

The authorised and issued share capital comprises 115,500,000 fully paid-up shares of AED 1 each:

	2014 No of shares	2014 AED '000	2013 No of shares	2013 AED '000
Balance at December 31,	115,500,000	115,500	115,500,000	115,500

14 Legal reserve

In accordance with the Company's Articles of Association and Article 192 of the U.A.E. Federal Law No. 8 of 1984 (as amended), a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance on the legal reserve equals 50% of the Company's paid-up share capital. No transfer to Legal Reserve has been made during the year as it has already reached the minimum of 50% of the paid-up Share capital.

15 Obligatory reserve

In accordance with the Company's Articles of Association, at least 10% of the Company's annual net profits (before directors' fees) must be transferred to a non-distributable obligatory reserve. Such transfers are required until the balance on this reserve equals 25% of the Company's paid-up share capital, or until the transfer is suspended by resolution of the shareholders. No transfer to Legal Reserve has been made during the year as it has already reached the minimum of 25% of the paid-up Share capital.

16 General reserve

This reserve can be utilised for any purpose proposed by the Board of Directors subject to approval by the General Assembly.

17 Employees' end of service benefits

	2014 AED '000	2013 AED '000
Balance at January 1, 2014	2,636	2,116
Charge for the year	489	615
Payments during the year	(86)	(95)
Balance at December 31, 2014	3,039	2,636

18 Insurance payables

	2014 AED '000	2013 AED '000
Trade creditors	7,619	6,012
Insurance companies	4,936	2,357
Re-insurance companies	21,503	23,889
Brokers payable	3,448	2,002
Premium reserve withheld	3,035	2,519
	40,541	36,779

19 Other payables

	2014 AED '000	2013 AED '000
Accrued expenses	1,396	2,510
Provision for staff benefits	2,184	2,055
Directors' remuneration *	3,000	2,413
Other payables	15,618	9,284
	22,198	16,262

* Directors' remuneration is an appropriation of net profit for the year in accordance with Article 118 of U.A.E. Federal Law No. 8 of 1984 (as amended), by The Ministry of Economy and Planning and also as per the Articles of Association of the Company.

20 Income from investments - net

	2014 AED '000	2013 AED '000
Dividend income on securities - net	8,120	6,686
Interest income – net	456	290
	8,576	6,976

21 Income from investment property - net

	2014 AED '000	2013 AED '000
Gross rental income	16,146	15,041
Maintenance expenses	(3,589)	(3,705)
Depreciation (note 6)	(1,847)	(1,847)
	10,710	9,489

22 Other income

	2014 AED '000	2013 AED '000
Gain on disposal of property and equipment	57	156
Other miscellaneous income	338	-
	395	156

23 General and administrative expenses

	2014 AED '000	2013 AED '000
Personnel costs	15,217	14,671
Other operational expenses	5,571	5,207
	20,788	19,878

24 Earning per share

	2014	2013
Net profit for the year AED '000'	35,771	30,207
Weighted average number of shares outstanding (note 13)	115,500,000	115,500,000
Earning per share (AED)- Basic and diluted	0.31	0.26

25 Segment reporting

The Company operates two main business segments: Underwriting and Investments.

Underwriting segment is further classified into General Insurance and Life & Health Insurance. Investments segment comprises Investment Property and Financial Assets. The life insurance provided by the Company is for a period of 12 months and does not include any investment portion.

25 Segment reporting (continued)

	2014 AED '000			2013 AED '000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	200,069	25,151	225,220	166,633	22,017	188,650
Segment result	36,878	19,286	56,164	33,464	16,465	49,929
Unallocated:						
-Other income			395			156
-Admin expenses			(20,788)			(19,878)
Net profit for the year			35,771			30,207
Segment assets	161,014	418,776	579,790	144,523	314,002	458,525
Unallocated assets			83,582			65,533
Total assets			663,372			524,058
Segment liabilities	238,142	2,567	240,709	215,908	2,417	218,325
Unallocated liabilities			-			-
Total liabilities			240,709			218,325

Underwriting results are further classified as follows:

	AED'000		
2014	General business	Life & health	Total
Gross premiums written	128,203	71,866	200,069
Gross underwriting income	58,244	18,093	76,337
Net claims incurred	30,688	8,771	39,459
Net Underwriting income	27,557	9,321	36,878
2013			
Gross premiums written	111,923	54,710	166,633
Gross underwriting income	48,460	16,977	65,437
Net claims incurred	23,852	8,121	31,973
Net Underwriting income	24,608	8,856	33,464

26 Proposed dividend

The Board has proposed cash dividend of 20% of paid up share capital, AED 23.1 million (AED 0.20 per share) for the year ended December 31, 2014.

During the previous year, the Board proposed a cash dividend of AED 23.1 million (AED 0.20 per share) representing 20% of the paid up capital as at December 31, 2013. This was approved at the Annual General Meeting held on 26 March 2014.

27 Commitments and contingencies

	2014	2013
	AED '000	AED '000
Financial guarantee	**508**	508
	=====	=====

Guarantees of AED 0.3 million (2013: AED 0.3 million) issued by banks are secured by way of deposits held.

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

28 Operating lease

Leases as a lessor

The Company has leased out its investment properties under various operating leases.

Operating lease rentals receivable are:

	2014	2013
	AED '000	AED '000
Due within one year	**8,896**	10,715
Due within two to five years	**431**	2,015
	======	======

Leases as a lessee

At the statement of financial position date, there were no major outstanding commitments under non-cancellable operating leases.

29 Capital commitments

At the statement of financial position date, there were no major capital commitments (2013: nil).

30 Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, life, accident health, financial or other perils that may arise from an insurable event.

The Company also has exposure to market risk through its insurance and investment activities. The Company manages the risk through well laid out procedures and delegation levels for both underwriting and settlement of claims.

The Company has structured policies for acceptance and pricing risks. Experienced and qualified professionals undertake the assessment of risks and pricing, with a conservative and cautious approach. Survey, risk measurement, sensitivity analysis, reinsurance term etc., are followed meticulously before acceptance of risk. Apart from these study of portfolio, probability, market trend, past history are all considered for pricing.

Underwriting strategy

This involves the Company's own risk assessment procedures and is based on a balanced portfolio. It is set out in terms of industry, type of exposures, limits for each class, and quality of risks with acceptance levels. This is percolated down to the lower levels of the underwriting sections with the authorities specified along with their limits. Risk selection is set out as per the Company's risk management policies.

Managing reinsurance risk

The Company carries reinsurance cover to minimise exposure to potential losses arising from large insurance claims and consequently in the normal course of business enters into arrangements with other parties for reinsurance purposes. 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 arrangements.

This reinsurance is through proportional treaty and facultative reinsurance contracts. The reinsurers are selected based on their standing in the market, rating, relationship experience and length of association.

Reinsurance recoverable is monitored on a regular basis and through exchange of statements which are duly reconciled.

Terms and conditions of insurance contracts

Insurance contracts are based on uncertainty. As such the terms and conditions of insurance contracts varies but are generally based on norms as applied in the Insurance Market.

Sensitivity of underwriting profits and losses

The contribution from insurance operations to the profit of the Company amounts to AED 36.878 million for the year ended December 31, 2014 (2013: AED 33.464 million)

The Company does not foresee any major impact from insurance operations on account of the following:

- The overall risk retention level of the Company in the year ended December 31, 2014 is 35% (2013: 39%). The Company has initiated series of enterprise-wide risk management measures which includes acceptance and transfer of risks. Appropriate Excess of Loss protections have been designed and placed. The insurance liabilities of the Company are being adequately covered by Treaty/Facultative arrangements with rated reinsurance companies and Excess of Loss reinsurance programs to safeguard against any major financial impact.
- The Company's commissions earned from reinsurance placements are consistent and remain a comfortable source of income.
- Because of the low risk retention in all classes of business, the Company does not foresee any serious financial impact in the insurance net profits due to changes in the loss ratios.

31 Financial instruments

The financial assets of the Company include cash at bank and in hand, insurance receivables, certain reinsurance contract assets, other receivables, due from related parties and investments. Financial liabilities include insurance payables, other payables, due to related parties and certain insurance contract liabilities. Accounting policies for each class of financial assets and liabilities are set out in note 3.

Categories of financial instruments

Year - 2014

Assets	At amortised Cost AED'000	FVTOCI AED'000	Insurance contracts AED'000	Total AED'000
Financial instruments				
Statutory deposits	10,268	-	-	10,268
Re-insurer's contract assets	-	-	65,217	65,217
Cash and cash equivalents	73,314	-	-	73,314
Financial assets	-	335,482	-	335,482
Insurance receivables		-	37,491	37,491
Other receivables	726	-	-	726
Due from related parties	5,745	-	-	5,745
Total financial assets	90,053	335,482	102,708	528,243

Year - 2013

Assets	At amortised cost AED'000	FVTOCI AED'000	Insurance contracts AED'000	Total AED'000
Financial instruments				
Statutory deposits	10,268	-	-	10,268
Re-insurer's contract assets	-	-	70,651	70,651
Cash and cash equivalents	55,265	-	-	55,265
Financial assets	-	228,861	-	228,861
Insurance receivables		-	26,738	26,738
Other receivables	681	-	-	681
Due from related parties	6,938	-	-	6,938
Total financial assets	73,152	228,861	97,389	399,402

31 Financial instruments (continued)

Categories of financial instruments (continued)

Year - 2014

Liabilities

	At amortised cost AED'000	Insurance contracts AED'000	Total AED'000
Insurance contract liabilities	-	96,544	96,544
Insurance and other payables	22,198	40,541	62,739
Due to related parties	5,960	-	5,960
Total liabilities	28,158	137,085	165,243

Year - 2013

Liabilities

	At amortised cost AED'000	Insurance contracts AED'000	Total AED'000
Insurance contract liabilities	-	99,471	99,471
Insurance and other payables	16,262	36,779	53,041
Due to related parties	3,504	-	3,504
Total liabilities	19,766	136,250	156,016

Capital management

The Company's objective when managing capital risks are:

1) To comply with the Insurance Capital Requirements required by the U.A.E. Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations concerning Insurance Companies and Agents. The minimum regulatory capital for Insurance Companies which must be maintained at all times throughout the year as per U.A.E. Law is AED 100,000,000/- (2013: AED 100,000,000/-).

2) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to the shareholders.

3) To provide an adequate rate of return to shareholders by pricing products and services commensurate with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders or issue new shares.

31 Financial instruments (continued)

Capital management (continued)

There were no changes made in the objectives, policies or processes during the years ended December 31, 2014 and December 31, 2013.

The table below summarises the minimum regulatory capital of the Company and the actual equity held by the Company at the end of the year:

	2014	2013
	AED'000	AED'000
Cash and cash equivalents	73,314	55,265
Total equity held	422,663	305,733
Minimum Regulatory Capital	100,000	100,000

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, liquidity risk, foreign exchange risk and market risk. The broad review and agreed policies for management of these risks are summarised below:

Credit risk

Credit risk is the risk that one party to a contract underlying a financial instrument will fail to discharge its obligations causing the other party to incur a financial loss.

All of the Company's underwriting activities are carried out in the United Arab Emirates. Cash is placed with a group of banks with good credit ratings. Credit risk on account receivables is spread, as they are due from a large number of customers. Credit risk with respect to 'due from insurers' and due from brokers is diversified due to the dispersion of amounts recoverable over a large number of insurers and brokers, however these are monitored closely by the management.

Credit risk with respect to reinsurers is mitigated by placement only with those Companies having an acceptable rating.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

The following table provides an age analysis of receivables arising from insurance.

	Neither past due nor impaired	Past due					
		<120 days	120-180 days	>180 days	Total	Past due and impaired	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2014	14,399	17,699	3,619	6,562	42,279	(4,788)	37,491
31 December 2013	18,384	2,946	2,026	7,716	31,072	(4,334)	26,738

The Company believes that overdue debtors are not impaired except those already provided for.

31 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company faces in meeting its present and future financial obligations in a timely manner. Solvency risk refers to the excess of liabilities over assets, and hence, to the adequacy of the Company's capital. The Company is required to maintain an adequate level of liquidity by the regulatory requirements currently in force in the U.A.E.

Liquidity requirements are monitored by the management to ensure sufficient funds are available to meet commitments as they arise. The table below summarises the maturity of various financial instruments:

Year -2014

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Assets					
Statutory deposits	-	-	-	10,268	10,268
Financial assets	-	-	-	335,482	335,482
Insurance receivables	7,827	18,529	5,703	5,432	37,491
Other receivables	22	278	54	372	726
Due from related parties	521	2,173	1,860	1,191	5,745
Cash in hand and at banks including deposits:					
Interest bearing	4,737	32,993	20,131	15,441	73,302
Non-interest bearing	12	-	-	-	12
Re-insurer's contract assets*	-	-	-	-	65,217
	13,119	53,973	27,748	368,186	528,243
Liabilities					
Insurance and other payables	3,619	30,233	17,471	11,416	62,739
Due to related parties	103	2,365	2,331	1,161	5,960
Insurance contract liabilities*	-	-	-	-	96,544
	3,722	32,598	19,802	12,577	165,243

* The maturities of insurance contract liabilities and the corresponding re-insurer's contract assets are contingent upon the final settlement of claims, therefore cannot be allocated to any particular maturity slab.

31 Financial instruments (continued)

Liquidity risk (continued)

Year -2013

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Assets					
Statutory deposits	-	-	-	10,268	10,268
Financial assets	-	-	-	228,861	228,861
Insurance receivables	5,667	14,929	3,703	2,439	26,738
Other receivables	26	289	-	366	681
Due from related parties	435	2,613	1,934	1,956	6,938
Cash in hand and at banks including deposits:					
Interest bearing	2,256	24,995	18,002	10,000	55,253
Non-interest bearing	12	-	-	-	12
Re-insurer's contract assets*	-	-	-	-	70,651
	8,396	42,826	23,639	253,890	399,402
Liabilities					
Insurance and other payables	3,332	27,236	12,502	9,971	53,041
Due to related parties	61	1,132	1,649	662	3,504
Insurance contract liabilities*	-	-	-	-	99,471
	3,393	28,368	14,151	10,633	156,016

* The maturities of insurance contract liabilities and the corresponding re-insurer's contract assets are contingent upon the final settlement of claims, therefore cannot be allocated to any particular maturity slab.

Interest rate risk

The interest risk is the risk that the value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company has interest bearing deposits in commercial banks having effective interest rate 0.1%-1.3% (2013: 0.5%-1.25%). The interest rate is floating in nature. However, the Company does not foresee any material impacts due to interest rate fluctuations in the foreseeable future as the total amount of interest income was not material and there were no significant movements noted during the year in the interest rates.

Exchange risk

A major portion of the Company's liabilities and assets are denominated in AED or US Dollars, barring Beirut Branch which is in Lebanese Lira. However since the US Dollar is effectively pegged to AED, there is minimal risk. Moreover assets and liabilities in Beirut branch are not considered to be significant to the Company's assets and liabilities hence no significant exposure expected.

31 Financial instruments (continued)

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its investments in quoted and unquoted shares.

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

All the Company's investments are within the United Arab Emirates.

Sensitivity of equity prices

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 10% higher/lower:

- net profit for the year ended 31 December 2014 would have been unaffected as the equity investments are classified as Fair Value Through Other Comprehensive Income and no investments were disposed of during the year; and

- equity reserve for Fair Value Through Other Comprehensive Income investments would increase/decrease by AED 33.55 million (2013: increase/decrease by AED 22.89 million) as a result of the changes in Fair Value Through Other Comprehensive Income.

Method and assumptions for sensitivity analysis

- As at the statement of financial position date if the equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on equity has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

32 Post-reporting date events

Except for the proposed cash dividend of 20% of paid up capital for the year ended December 31, 2014 (note 26) there are no adjusting or significant non-adjusting events which have occurred between the reporting date and the date of authorisation of these financial statements.