DUBAI NATIONAL INSURANCE & REINSURANCE P.S.C.

DUBAI - UNITED ARAB EMIRATES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

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Directors' Report

I am pleased to welcome you, on behalf of the Board of Directors, to this General Assembly of Dubai National Insurance & Reinsurance PSC, and to present its twenty fourth annual report and accounts for the financial year 2015.

The UAE Insurance Industry is currently passing through a very challenging and exciting period. The newly introduced regulations by the UAE Insurance Authority in 2015 is expected to provide stability & sustainability of the insurance sector by ensuring the solvency of insurance companies & harmonizing the investment policies of the insurance companies with the general economic policies of the UAE.

Your company is well equipped to meet these new regulations and continues to focus on its strengths - prudent underwriting norms, best customer service practices and a fundamentally strong financial position. We believe in managing our business with greater discipline and prudence, by ensuring adequacy of reserves & not compromising on pricing.

Our pursuit on growth with profitability has helped us to emerge as a profitable insurer since our inception, and we are pleased to report the results for the year 2015 as below:

- Gross Written Premiums is AED 225.436 Million (AED 200.069 Million in Year 2014).
- The Net Underwriting Income is AED 34.464 Million (AED 36.878 Million in Year 2014)
- The Net profit of the company is AED 40.811 Million (AED 35.771 Million in Year 2014)

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 continued support.

KHALAF AHMAD AL HABTOOR
Chairman of the Board of Directors

سجلت في سجل شركات التأمين طبقا للقانون الإتحادي رقم (٦) لسنة ٢٠٠٧، شهادة قيد رقم ٦٤ بتاريخ ٦ يناير ١٩٩٢
Registered in the Insurance Companies Register Under Federal Law No. (6) of 2007, Certificate No. 64 Dated 6th January 1992
E-mail : mails@dnirc.com, Website : www.dnirc.com

ص. ب: ١٨٠٦، دبي، الإمارات العربية المتحدة، هاتف: ٢٩٥٦٧٠٠ ٤ ٩٧١+، فاكس: ٢٩٥٦٧١١ ٤ ٩٧١+
P.O. Box : 1806, DUBAI, United Arab Emirates, Tel. : +971 4 2956700, Fax : +971 4 2956711

Grant Thornton

Public Accountants
Rolex Tower
23rd floor
Sheikh Zayed Road
P.O. Box 1620
Dubai, United Arab Emirates
Tel: +971 (4) 388 9925
Fax: +971 (4) 388 9915
Website : www.grantthornton.ae

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, 2015, and the income statement, 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 in compliance with the UAE 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 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.

Grant Thornton

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the UAE Federal Law No. (2) of 2015.

Report on Other Legal and Regulatory Requirements

Further, as required by the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and 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 Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No. (2) of 2015;

iii) the Company has maintained proper books of account;

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

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

vi) note 10 to the financial statements reflects discloses material related party transactions and balances, and the terms under which they were conducted; and

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

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

GRANT THORNTON

Farouk Mohamed
Registration No: 86
Dubai, February 1, 2016

Statement of financial position
As at December 31, 2015

	Notes	2015	2014
ASSETS		**AED'000**	AED'000
Non-current assets			
Statutory deposits	4	**10,000**	10,268
Property and equipment	5	**928**	787
Investment property	6	**81,447**	83,294
		92,375	94,349
Current assets			
Financial assets at fair value through other comprehensive income	7	**328,506**	335,482
Insurance receivables	8	**39,036**	37,491
Other receivables	9	**3,747**	1,990
Due from related parties	10	**4,597**	5,745
Reinsurance contract assets	11	**118,110**	115,001
Cash and cash equivalents	12	**90,974**	73,314
		584,970	569,023
TOTAL ASSETS		**677,345**	663,372
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	**180,000**	220,000
Fair value reserve on financial assets at fair value through other comprehensive income		**8,781**	38,289
Retained earnings/(Accumulated losses)		**16,456**	(37,751)
TOTAL EQUITY		**407,362**	422,663
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	17	**3,635**	3,039
Current liabilities			
Insurance contract liabilities	11	**185,006**	168,971
Insurance payables	18	**45,456**	40,541
Other payables	19	**27,289**	22,198
Due to related parties	10	**8,597**	5,960
		266,348	237,670
TOTAL LIABILITIES		**269,983**	240,709
TOTAL EQUITY AND LIABILITIES		**677,345**	663,372

These financial statements were approved by the Board of Directors on February 1, 2016 and signed on their behalf by:

Khalaf Ahmed Al Habtoor
Chairman

Mohammed Khalaf Al Habtoor
Managing Director

The notes from 1 to 33 form an integral part of these financial statements.

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Income statement
For the year ended December 31, 2015

	Notes	2015 AED'000	2014 AED'000
Gross premiums		225,436	200,069
Reinsurance share of premiums		(140,119)	(129,989)
Net premiums		85,317	70,080
Net transfer to unearned premium reserve	11 (a)	(11,818)	(12)
Net premiums earned		73,499	70,068
Commission earned		21,946	19,974
Commission paid		(24,102)	(18,710)
Others		5,177	5,005
Gross underwriting income		76,520	76,337
Gross claims paid		117,255	95,502
Reinsurance share		(76,307)	(58,550)
Net claims paid		40,948	36,952
Provision for outstanding claims and technical provisions		(2,358)	(2,927)
Reinsurance share of outstanding claims		3,466	5,434
Net claims incurred		42,056	39,459
Net underwriting income		34,464	36,878
Income from investments - net	20	17,782	8,576
Income from investment property - net	21	9,763	10,710
Other income	22	24	395
Gross income		62,033	56,559
General and administrative expenses	23	(21,222)	(20,788)
Net profit for the year		40,811	35,771
		AED	AED
Earnings per share:			
Basic and diluted	24	0.35	0.31

The notes from 1 to 33 form an integral part of these financial statements.

Statement of comprehensive income
For the year ended December 31, 2015

	2015 AED'000	2014 AED'000
Net profit for the year	**40,811**	35,771
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net unrealised (loss)/profit on financial assets at fair value through other comprehensive income	**(29,508)**	107,259
Total comprehensive income for the year	**11,303**	143,030

The notes from 1 to 33 form an integral part of these financial statements.

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

	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	Retained earnings/ (Accumulated losses) AED'000	Total equity AED'000
Balance as at January 1, 2014	115,500	57,750	28,875	220,000	(150,634)	34,242	305,733
Dividend (note 26)	-	-	-	-	-	(23,100)	(23,100)
Directors' remuneration	-	-	-	-	-	(3,000)	(3,000)
Transactions with owners	-	-	-	-	-	(26,100)	(26,100)
Transfer from fair value reserve	-	-	-	-	81,664	(81,664)	-
Net profit for the year	-	-	-	-	-	35,771	35,771
Net unrealised profit on financial asset at fair value through other comprehensive income	-	-	-	-	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**
Dividend (note 26)	-	-	-	-	-	(23,100)	(23,100)
Transfers from general reserve to retained earnings (note 16)	-	-	-	(40,000)	-	40,000	
Directors' remuneration	-	-	-	-	-	(3,504)	(3,504)
Transactions with owners	-	-	-	(40,000)	-	13,396	(26,604)
Net profit for the year	-	-	-	-	-	40,811	40,811
Net unrealised loss on financial asset at fair value through other comprehensive income	-	-	-	-	(29,508)	-	(29,508)
Balance as at December 31, 2015	**115,500**	**57,750**	**28,875**	**180,000**	**8,781**	**16,456**	**407,362**

The notes from 1 to 33 form an integral part of these financial statements.

Statement of cash flows
For the year ended December 31, 2015

	Notes	2015 AED'000	2014 AED'000
Cash flows from operating activities			
Net profit for the year		40,811	35,771
Adjustments for:			
Depreciation on property and equipment	5	358	412
Depreciation on investment property	6	1,847	1,847
Gain on disposal of property and equipment	22	(24)	(57)
Provision for employees' end of service benefits	17	620	489
Insurance contract provisions		16,035	9,827
Reinsurance contract assets		(3,109)	(7,308)
Income from investments - net	20	(17,782)	(8,576)
Income from investment property - net		(11,611)	(12,557)
Operating cash flows before changes in working capital		27,145	19,848
Changes in working capital:			
Statutory deposits		268	-
Insurance receivables		(1,545)	(10,753)
Other receivables		(1,757)	571
Insurance payables		4,915	3,762
Other payables		1,587	2,936
Due from/(to) related parties - net		3,785	3,649
Cash generated from operations		34,398	20,013
Employees' end of service benefits paid	17	(24)	(86)
Net cash generated from operating activities		34,374	19,927
Cash flows from investing activities			
Purchase of property and equipment	5	(502)	(606)
Purchase of financial assets at fair value through other comprehensive income		(22,532)	(154,971)
Proceeds from disposals of property and equipment		27	57
Proceeds from sale of financial assets at fair value through other comprehensive income		-	155,609
Income from investments - net	20	17,782	8,576
Income from investment property - net		11,611	12,557
Net cash generated from investing activities		6,386	21,222
Cash flows from financing activity			
Dividend paid	26	(23,100)	(23,100)
Net cash used in financing activity		(23,100)	(23,100)
Net change in cash and cash equivalents		17,660	18,049
Cash and cash equivalents at beginning of the year		73,314	55,265
Cash and cash equivalents at end of the year	12	90,974	73,314

The notes from 1 to 33 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 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, 2015 was 103 (2014: 94).

The overseas branch in Beirut is in the process of being wound up. Its license as required by local regulations has been terminated and it will be shut down once 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

These 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 Federal Law No. 2 of 2015 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. These financial statements are prepared in U.A.E. Dirhams ("AED"), rounded to the nearest thousand.

2.1 Standards, interpretations and amendments to existing standards

a) Standards, interpretations and amendments to existing standards that are effective in 2015

Following relevant amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 1, 2015 and have been adopted by the Company:

Standard number	Title	Effective date
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
	Annual improvements 2011-2013	
IFRS 13	Fair Value Measurement – Amendments	July 1, 2014
IAS 40	Investment Property – Amendments	July 1, 2014

2 Statement of compliance with IFRS (continued)

2.1 Standards, interpretations and amendments to existing standards (continued)

b) 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 relevant new 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
IFRS 9	Financial Instruments – Amendments	January 1, 2018
	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 above mentioned amendments will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on these relevant amendments that are not yet effective have been provided below. The Company's management has yet to assess the impact of these amendments on the Company's financial statements, unless specifically stated.

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.

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.

2 Statement of compliance with IFRS (continued)

2.1 Standards, interpretations and amendments to existing standards (continued)

b) 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) (continued)

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 manner similar to 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.

As the Company has already adopted the 2009 version of IFRS 9, management is in the process of assessing the impact of these amendments to this standard on the Company's financial statements.

Annual Improvements 2012 – 2014

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

The amendments clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

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

The amendments add additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. These also clarify 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

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

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 recognised at cost and subsequently accounted for using the cost model. The cost model requires investment property to be stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the investment property which has been estimated to be 40 years.

No depreciation is charged on freehold land.

Investment property is derecognised when either it has 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 income statement in the year of retirement or disposal.

Fair value of investment property is determined by an independent surveyor only for disclosure purposes.

3.4 Revenue recognition

Gross premiums

Gross premiums 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.

3 Summary of significant accounting policies (continued)

3.4 Revenue recognition (continued)

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 receivable.

Rental income

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

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 shown as current assets in the statement of financial position.

3.6 Provision for IBNR

Provision for Incurred But Not Reported ("IBNR") claims is made at the statement of financial position date.

Change in accounting estimate

Previously the Company used to calculate the provision for IBNR after taking into account certain ratios based on historical trends and details of reinsurance programs to assess the expected quantum of reinsurance recoveries.

During the year, management has changed the method of calculating this provision and now calculates the provision for IBNR based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Insurance Authority, U.A.E.

Had there been no change in the estimate, net profit for the year would have been higher by AED 3.46 million.

3.7 Provision for ULAE

Provision for Unallocated Loss Adjustment Expenses (ULAE) which cannot be allocated to specific claims, is made at the statement of financial position date.

Change in accounting estimate

During the year, management has created the provision for ULAE based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Insurance Authority, U.A.E.

3 Summary of significant accounting policies (continued)

3.7 Provision for ULAE (continued)

Had there been no such estimate, net profit for the year would have been higher by AED 1.12 million.

3.8 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.

3.9 Unearned Premium Reserve

Unearned Premium Reserve (UPR) represents that portion of premiums earned, gross of reinsurance, which relates 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.

3.10 Reinsurance premium

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

3.11 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.

3.12 Financial instruments

a) 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. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date.

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. A financial liability is derecognised when it is extinguished.

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

b) Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, the Company classifies its financial assets into the following categories:

i) Financial assets at amortised cost

Financial assets at amortised cost are those financial assets for which:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

Financial assets at amortised cost comprise statutory deposits, cash and cash equivalents, due from related parties and most other receivables.

ii) Financial assets 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.

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 financial data of investees.

Gains or losses on subsequent measurement

Gain or loss arising from change in fair value of investments at FVTOCI 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.

c) Classification and subsequent measurement of financial liabilities

Financial liabilities comprise due to related parties and most other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

d) 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 recognised 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 recognised in the income statement; and

b) For assets carried at amortised 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.

e) 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.

3.13 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.

3.14 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 recognised 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 the U.A.E. Labour Law. The expected costs of these benefits are accrued over the period of employment.

3.15 Foreign currency transactions

Transactions in foreign currencies are translated to 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 Summary of significant accounting policies (continued)

3.16 Impairment of non-financial assets

The carrying amounts of the Company's non-financial 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.

3.17 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.

3.18 Cash and cash equivalents

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

3.19 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.

3.20 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 include all current and prior period retained profits or losses.

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

3 Summary of significant accounting policies (continued)

3.21 Critical accounting estimates and judgements in applying accounting policies

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, ULAE and UPR

The estimation of the ultimate liability (outstanding claims, IBNR and ULAE) 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 (including actuarial calculations), is an appropriate basis for predicting future events.

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, 2015 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 financial data of investees.

Provision for doubtful debts

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

3.22 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

	2015 AED'000	2014 AED'000
Held with a local bank in Dubai, U.A.E.	10,000	10,000
Held with a bank outside the U.A.E.	-	268
	10,000	10,268

- Statutory deposit held with a local bank in Dubai, U.A.E. represents deposit 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.

- Statutory deposit held outside the U.A.E represented a 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 guarantees issued. During the year, on October 26, 2015, this deposit has been released upon cancellation of the said guarantee.

5 Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
Cost				
At January 1, 2015	1,837	408	3,320	5,565
Additions	70	59	373	502
Disposals	(7)	(40)	(4)	(51)
At December 31, 2015	**1,900**	**427**	**3,689**	**6,016**
Accumulated depreciation				
At January 1, 2015	1,741	321	2,716	4,778
Charge for the year	60	57	241	358
Disposals	(6)	(40)	(2)	(48)
At December 31, 2015	**1,795**	**338**	**2,955**	**5,088**
Net book value At December 31, 2015	**105**	**89**	**734**	**928**

5 Property and equipment (continued)

	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

6 Investment property

	2015 AED '000	2014 AED '000
Cost		
At January 1	**105,721**	105,721
Accumulated depreciation		
At January 1	**22,427**	20,580
Charge for the year	**1,847**	1,847
At December 31	**24,274**	22,427
Net book value at December 31,	**81,447**	83,294

On December 31, 2015, Land Sterling Property Consultants, independent and experienced professional valuer estimated the fair value of investment property at AED 189.10 million (2014: AED 181.5 million). The valuer holds relevant professional qualification and experience. Investment property is held for capital appreciation and rental purposes. The Company occupies an insignificant area of 9% (2014: 9%) in the investment property for use in its own business.

7 Financial assets at fair value through other comprehensive income

Financial assets measured at fair value in the statement of financial position are grouped into three levels of 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, 2015					
Investment in quoted securities	(a)	281,333	-	-	281,333
Investment in unquoted securities*	(b)	-	-	47,173	47,173
		281,333	-	47,173	328,506
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

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

(a) Fair values have been determined by reference to their quoted prices at the reporting date. During the year, the Company purchased quoted equity securities amounting to AED 22.53 million (2014: AED 154.97 million). Carrying value of quoted equity securities disposed of during the year amounted to Nil (2014: AED 237.27 million).

(b) Unquoted securities as at December 31, 2015 were fair valued by an independent valuer based on an 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, 2014 (2014: financial information reported as at December 31, 2013 was used). The valuer believes that the fair value would not be significantly different if the data of investee entities as at December 31, 2015 could be used based on its availability. This has been treated as a significant and best possible estimate considering the non-availability of required data.

Movement in financial assets grouped in level 3

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

	2015 AED'000	2014 AED'000
Investments in unquoted securities		
Balance as at January 1	**55,261**	29,500
Gains or losses recognised in other comprehensive income	**(8,088)**	25,761
Balance as at December 31	**47,173**	55,261

8 Insurance receivables

	2015 AED'000	2014 AED'000
Due from policy holders	5,140	2,647
Due from insurance companies	10,134	7,213
Due from reinsurance companies	934	4,522
Due from insurance brokers	25,484	27,897
	41,692	42,279
Provision for doubtful debts	(2,656)	(4,788)
	39,036	37,491

The average credit period is 90 days. Insurance receivables of AED 2.66 million (2014: AED 4.79 million) outstanding over one year, which are impaired and not recoverable, are fully provided.

9 Other receivables

	2015 AED'000	2014 AED'000
Prepayments	2,825	1,264
Accrued interest	158	60
Other receivables	764	666
	3,747	1,990

10 Related party balances

Details of related parties' balances are as follows:

Amounts due from related parties

Related parties due to common directorship

	2015 AED'000	2014 AED'000
Al Habtoor Leighton L.L.C.	1,525	2,751
Diamond Lease L.L.C.	1,734	2,040
Other Habtoor Group companies	1,338	954
	4,597	5,745

10 Related party balances (continued)

Amounts due to related parties

	2015 AED'000	2014 AED'000
Related parties due to common ownership		
Al Habtoor Motors Co L.L.C.	8,505	5,802
Other Habtoor Group companies	92	158
	8,597	5,960

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 per IAS 24. These transactions are carried out at terms mutually agreed between the parties.

Details of significant transactions with related parties are shown below:

	2015 AED'000	2014 AED'000
Premiums written	70,412	76,866
Claims paid	7,790	10,562
Commission paid	7,082	3,556
Agency / Non-Agency repairs	37,767	27,872
Salvage sale	160	-
Key management personnel remuneration		
- Short term benefits	2,003	1,869
- Post-employment benefits	176	180
	2,179	2,049

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.

11 Insurance contract liabilities (continued)

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. The following table reflects the cumulative incurred claims notified, IBNR and ULAE for each successive accident year at each statement of financial position date, together with cumulative payments to date:

	Accident year					
	2011 & prior AED'000	2012 AED'000	2013 AED'000	2014 AED'000	2015 AED'000	Total AED'000
Estimate of cumulative claims						
At the end of accident year	780,713	55,952	82,496	88,097	111,857	
One year later	776,981	58,431	89,927	95,290	-	
Two years later	763,749	58,401	89,503	-	-	
Three years later	756,000	55,626	-	-	-	
Four years later	745,982	-	-	-	-	
Estimate of cumulative claims	745,982	55,626	89,503	95,290	111,857	**1,098,258**
Cumulative payments to date	724,899	53,029	81,947	88,242	95,619	**1,043,736**
Provision for outstanding claims as on December 31, 2015	21,083	2,597	7,556	7,048	16,238	**54,522**
IBNR and other reserves as on December 31, 2015	8,098	140	297	359	6,812	**15,706**
ULAE reserves as on December 31, 2015	155	51	194	169	548	**1,117**
Gross outstanding claims as on December 31, 2015	29,336	2,788	8,047	7,576	23,598	**71,345**
Reinsurer's share of outstanding claims as on December 31, 2015	18,358	1,670	3,311	3,592	11,979	**38,910**
Net outstanding claims as on December 31, 2015	10,978	1,118	4,736	3,984	11,619	**32,435**
Provision for outstanding claims as on December 31, 2014	30,846	5,634	8,457	19,904	14,548	**79,389**
Reinsurer's share of outstanding claims as on December 31, 2014	25,329	2,991	4,507	7,891	7,344	**48,062**

11 Insurance contract liabilities (continued)

		2015			2014		
		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 reserve	(a)	90,820	(56,359)	34,461	72,427	(49,784)	22,643
Insurance contract provisions	(b)	77,363	(61,751)	15,612	82,054	(65,217)	16,837
Provision for IBNR	(c)	15,706	-	15,706	14,490	-	14,490
Provision for ULAE	(d)	1,117	-	1,117	-	-	-
		185,006	(118,110)	66,896	168,971	(115,001)	53,970

a) Unearned premium reserve

		2015			2014		
		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)	72,427	(49,784)	22,643	59,673	(37,042)	22,631
Provision made during the year		88,302	(54,303)	33,999	70,537	(48,434)	22,103
Provision released during the year		(69,909)	47,728	(22,181)	(57,783)	35,692	(22,091)
Net movement during the year	(ii)	18,393	(6,575)	11,818	12,754	(12,742)	12
Balance as at December 31	(i+ii)	90,820	(56,359)	34,461	72,427	(49,784)	22,643

11 Insurance contract liabilities (continued)

b) Insurance contract provisions

		2015			2014		
		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)	82,054	(65,217)	16,837	86,859	(70,651)	16,208
Provision made during the year		112,564	(72,841)	39,723	90,697	(53,116)	37,581
Settled during the year		(117,255)	76,307	(40,948)	(95,502)	58,550	(36,952)
Net movement during the year	(ii)	(4,691)	3,466	(1,225)	(4,805)	5,434	629
Balance as at December 31	(i + ii)	77,363	(61,751)	15,612	82,054	(65,217)	16,837

c) Provision for IBNR

		2015			2014		
		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)	14,490	-	14,490	12,612	-	12,612
Provision made during the year		15,706	-	15,706	14,490	-	14,490
Provision released during the year		(14,490)	-	(14,490)	(12,612)	-	(12,612)
Net movement during the year	(ii)	1,216	-	1,216	1,878	-	1,878
Balance as at December 31	(i + ii)	15,706	-	15,706	14,490	-	14,490

11 Insurance contract liabilities (continued)

d) Provision for ULAE

		2015			2014		
		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)	-	-	-	-	-	-
Provision made during the year		1,117	-	1,117	-	-	-
Provision released during the year		-	-	-	-	-	-
Net movement during the year	(ii)	1,117	-	1,117	-	-	-
Balance as at December 31	(i + ii)	1,117	-	1,117	-	-	-

12 Cash and cash equivalents

	2015 AED'000	2014 AED'000
Cash in hand and at banks	**90,974**	73,314

(a) Cash at banks includes AED 0.50 million (2014: AED 0.48 million) converted from Lebanese Lira (LL).

(b) Cash and bank includes short term deposits (3 months) with local banks carrying interest ranging from 0.21% - 1.75% (2014: 0.1% - 1.3%) per annum.

13 Share capital

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

	2015 No of shares	2015 AED'000	2014 No of shares	2014 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 239 of the Federal Law No. 2 of 2015, 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 obligatory 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. During the year, in accordance with the resolution passed by the Board of Directors on December 10, 2015, AED 40 million has been transferred from General reserve to Retained Earnings which needs to be ratified by the General Assembly.

17 Employees' end of service benefits

	2015 AED'000	2014 AED'000
Balance at January 1	3,039	2,636
Charge for the year	620	489
Payments during the year	(24)	(86)
Balance at December 31	3,635	3,039

18 Insurance payables

	2015 AED'000	2014 AED'000
Trade creditors	7,973	7,619
Insurance companies	6,271	4,936
Re-insurance companies	21,299	21,503
Brokers payable	4,272	3,448
Premium reserve withheld	5,641	3,035
	45,456	40,541

19 Other payables

	2015 AED'000	2014 AED'000
Accrued expenses	1,226	932
Provision for staff benefits	2,549	2,184
Directors' remuneration *	3,504	3,000
Other payables	20,010	16,082
	27,289	22,198

* Directors' remuneration is an appropriation of net profit for the year in accordance with Article 169 of Federal Law No. 2 of 2015, by the Ministry of Economy and Planning and also as per the Articles of Association of the Company.

20 Income from investments - net

	2015 AED'000	2014 AED'000
Dividend income on securities - net	17,144	8,120
Interest income - net	638	456
	17,782	8,576

21 Income from investment property - net

	2015 AED'000	2014 AED'000
Gross rental income	17,062	16,146
Maintenance expenses	(5,452)	(3,589)
Depreciation (note 6)	(1,847)	(1,847)
	9,763	10,710

22 Other income

	2015 AED'000	2014 AED'000
Gain on disposal of property and equipment	24	57
Other miscellaneous income	-	338
	24	395

23 General and administrative expenses

	2015 AED'000	2014 AED'000
Personnel costs	16,019	15,217
Other operational expenses	5,203	5,571
	21,222	20,788

24 Earnings per share

	2015	2014
Net profit for the year AED'000	40,811	35,771
Weighted average number of shares outstanding (note 13)	115,500,000	115,500,000
Earning per share (AED) - Basic and diluted	0.35	0.31

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)

	2015 AED'000			2014 AED'000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	225,436	34,932	260,368	200,069	25,257	225,326
Segment result	34,464	27,545	62,009	36,878	19,286	56,164
Unallocated:						
-Other income			24			395
-Admin expenses			(21,222)			(20,788)
Net profit for the year			40,811			35,771
Segment assets	166,418	409,953	576,371	161,014	418,776	579,790
Unallocated assets			100,974			83,582
Total assets			677,345			663,372
Segment liabilities	267,621	2,362	269,983	238,142	2,567	240,709
Unallocated liabilities			-			-
Total liabilities			269,983			240,709

Underwriting results are further classified as follows:

	AED'000		
	General business	Life & health	Total
2015			
Gross premiums written	155,709	69,727	225,436
Gross underwriting income	59,618	16,902	76,520
Net claims incurred	29,310	12,746	42,056
Net underwriting income	30,308	4,156	34,464
2014			
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

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, 2015.

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, 2014. This was approved at the Annual General Meeting held on 9 March 2015.

27 Commitments and contingencies

	2015 AED'000	2014 AED'000
Financial guarantee	300	508

Guarantees of AED 0.3 million (2014: AED 0.5 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 property under various operating leases.

Operating lease rentals receivable are:

	2015 AED'000	2014 AED'000
Due within one year	9,459	8,896
Due within two to five years	9,803	431

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 (2014: 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 34.464 million for the year ended December 31, 2015 (2014: AED 36.878 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, 2015 is 38% (2014: 35%). 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 risk management objectives and policies

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

Category-wise assets and liabilities

Year - 2015

	Financial instruments			
Assets	At amortised cost AED'000	FVTOCI AED'000	Insurance contracts AED'000	Total AED'000
Statutory deposits	10,000	-	-	10,000
Reinsurance contract assets	-	-	118,110	118,110
Cash and cash equivalents	90,974	-	-	90,974
Financial assets at FVTOCI	-	328,506	-	328,506
Insurance receivables	-	-	39,036	39,036
Other receivables	922	-	-	922
Due from related parties	4,597	-	-	4,597
	106,493	328,506	157,146	592,145

Year - 2014

	Financial instruments			
Assets	At amortised cost AED'000	FVTOCI AED'000	Insurance contracts AED'000	Total AED'000
Statutory deposits	10,268	-	-	10,268
Reinsurance contract assets	-	-	115,001	115,001
Cash and cash equivalents	73,314	-	-	73,314
Financial assets at FVTOCI	-	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	152,492	578,027

31 Financial risk management objectives and policies (continued)

Category-wise assets and liabilities (continued)

Year - 2015

Liabilities	At amortised cost AED'000	Insurance contracts AED'000	Total AED'000
Insurance contract liabilities	-	185,006	185,006
Insurance and other payables	27,289	45,456	72,745
Due to related parties	8,597	-	8,597
Total liabilities	35,886	230,462	266,348

Year - 2014

Liabilities	At amortised cost AED'000	Insurance contracts AED'000	Total AED'000
Insurance contract liabilities	-	168,971	168,971
Insurance and other payables	22,198	40,541	62,739
Due to related parties	5,960	-	5,960
Total liabilities	28,158	209,512	237,670

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 Board reviewed and agreed policies for management of these risks 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.

31 Financial risk management objectives and policies (continued)

Credit risk (continued)

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

	Neither past due nor impaired AED'000	Past due <120 days AED'000	Past due 120 -180 days AED'000	Past due >180 days AED'000	Past due Total AED'000	Past due and impaired AED'000	Total AED'000
31 December 2015	11,718	21,309	4,125	4,540	41,692	(2,656)	39,036
31 December 2014	14,399	17,699	3,619	6,562	42,279	(4,788)	37,491

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

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 assets and liabilities:

Year -2015

	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	-	-	-	10,000	10,000
Financial assets at FVTOCI	-	-	-	328,506	328,506
Insurance receivables	7,932	18,376	7,731	4,997	39,036
Other receivables	54	368	206	294	922
Due from related parties	340	1,795	1,764	698	4,597
Cash in hand and at banks including deposits:					
Interest bearing	5,675	42,449	24,465	18,385	90,974
Non-interest bearing	12	-	-	-	12
Reinsurance contract assets*	-	-	-	-	118,110
	14,013	62,988	34,166	362,880	592,157

31 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Liabilities					
Insurance and other payables	7,823	35,108	15,982	13,832	72,745
Due to related parties	208	3,257	3,531	1,601	8,597
Insurance contract liabilities*	-	-	-	-	185,006
	8,031	38,365	19,513	15,433	266,348

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

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
Reinsurance contract assets*	-	-	-	-	115,001
	13,119	53,973	27,748	368,186	578,027
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*	-	-	-	-	168,971
	3,722	32,598	19,802	12,577	237,670

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

31 Financial risk management objectives and policies (continued)

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 0.21%-1.75% (2014: 0.1%-1.3%) per annum. 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. Since AED is effectively pegged to US Dollars, there is minimal exchange risk. Moreover assets and liabilities in Beirut branch are not considered to be significant to the Company's assets and liabilities hence there is no significant exposure.

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.

Given that all other variables remain constant, had equity prices been 10% higher/lower at the reporting date:

- net profit for the year ended 31 December 2015 would have been unaffected as the equity investments are classified as Fair Value Through Other Comprehensive Income (FVTOCI);

- fair value reserve on financial assets of FVTOCI within equity would have increased/decreased by AED 32.85 million (2014: increase/decrease by AED 33.55 million).

32 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 the Law is AED 100,000,000 (2014: 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.

There were no changes made in the objectives, policies or processes during the years ended December 31, 2015 and December 31, 2014.

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:

	2015	2014
	AED'000	AED'000
Cash and cash equivalents	90,974	73,314
Total equity held	407,362	422,663
Minimum regulatory capital	100,000	100,000

33 Post-reporting date events

Except for the proposed cash dividend of 20% of paid up capital for the year ended December 31, 2015 (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.